

CURRENT HISTORY

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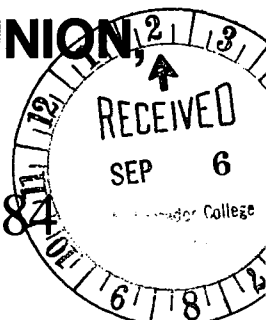
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Current History

SEPTEMBER, 1984

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The implementation of China's modernization program continues apace, effecting change in all strata of Chinese society. In this issue we discuss the changes in China's domestic economic policy and foreign trade, the professionalization of the military, the evolution of Chinese political philosophy and the movements within the Chinese political leadership. The effect the modernization program has had on China's policy toward the United States is clearly seen in our introductory article. Although "there is still considerable potential for crisis in the fragile Sino-American relationship . . . the economic-political basis of the . . . relationship seems to be stronger."

Sino-American Relations: Building A New Consensus

BY STEVEN GOLDSTEIN

Director of the China Council of the Asia Society, New York

IN 1984, Sino-American relations appeared to have reached a new plateau. The first visit of a Chinese Prime Minister to the United States and the return visit of the archconservative United States President, Ronald Reagan, to Beijing gave the appearance of a genuine breakthrough. In fact, things were not exactly as they seemed in Sino-American relations.¹

In reality, 1983 was a year of transition. Since 1980, by dint of great effort, both China and the United States have worked themselves back from the brink of serious crisis and have begun to build a new relationship.

During the early years of the Reagan administration Sino-American relations moved from crisis to crisis.² From 1979 to 1982, China's emphasis on the centrality of domestic economic development and its revised global view led it to a foreign policy orientation very different from those policies that had been the basis of Sino-American relations in the 1970's. As the Reagan administration took office in 1981, Beijing's assertions of a lessened Soviet threat and an increasingly unreliable Amer-

ican foreign policy endangered the earlier consensus between the two nations.³

Although Soviet troops were still massed at the Chinese borders, in 1982 the Chinese press was suggesting that Moscow's attention had shifted to foreign policy in Poland and Afghanistan and to domestic economic troubles. The lessened Soviet threat to China made the *realpolitik* that had drawn China to the United States seem less compelling, and the Chinese began to explore the possibility of easing tensions with Moscow.

At the same time, Beijing was reexamining the foreign policy of the United States. Public statements suggested that the distinction previously made by the Chinese between the United States and the "hegemonic" Soviet Union was eroding. By August, 1982, both were condemned as hegemonic. Although it was not stated explicitly, the new policy line was clear: China would no longer align itself with a nation seeking to dominate others, that is, the United States.⁴

But the Chinese were most concerned with the growing signs of American retrogression on the Taiwan question. The root of this concern can be traced to the last year of President Jimmy Carter's administration. In the spring of 1980, the Chinese seemed genuinely outraged when the United States Congress followed the normalization of relations with China by legislating unofficial relations with and arms sales to Taiwan. In the Chinese view this new statute, the Taiwan Relations Act, was unacceptable.

The Reagan candidacy—and victory—made a bad situation worse. During the campaign, Ronald Reagan

¹This paper has been read by Kathrin Sears and Nina Halpern, whose help is gratefully acknowledged.

²For a review of this period see Michel Oksenberg, "A Decade of Sino-American Relations," *Foreign Affairs*, vol. 61, no. 1 (Fall, 1982), pp. 191-195.

³An excellent summary of this change can be found in A. Doak Barnett, *U.S. Arms Sales: The China-Taiwan Tangle* (Washington, D.C.: The Brookings Institution, 1982), pp. 37-49.

⁴In addition to Barnett, *op. cit.*, see Carol Hamrin, "Emergence of an 'Independent' Chinese Foreign Policy and Shifts in Sino-U.S. Relations," in James C. Hsiung, ed., *U.S.-Asian Relations* (New York: Praeger Publishers, 1983), pp. 63-64.

pledged that he "would not pretend . . . that the relationship we now have with Taiwan . . . is not official."⁵ After the Republican victory, the new administration continued to explore expanded arms sales to Taiwan despite mounting Chinese protests. Moreover, Chinese unease grew as pro-Taiwan views seemed to gain greater currency in the new administration. In word and deed, President Reagan seemed to be eroding whatever progress had been made with China on the Taiwan question. What is more, the strident anti-Soviet rhetoric of the new administration did not provide the bond between the two countries that it had in the past.

Thus, China's proclamation of an "independent" foreign policy at the party's twelfth congress in August, 1982, was in part a statement of China's desire to avoid being drawn into the escalating Soviet-American conflict. The new turn was a synthesis of earlier themes in China's foreign policy and the new priorities of the post-Mao leadership. Nationalism and independence were old slogans; changes in the international power balance allowed a return to these two central themes of twentieth century Chinese foreign policy. And with them came a correlate—strong sensitivity to any encroachments on China's sovereign rights.

This new mood resonated with Chairman Mao Zedong's intense nationalism and emphasis on independence. However, there was also some divergence from earlier themes. Mao's foreign policy was intended to secure a nonthreatening international environment for China's development through strategic cooperation with the United States. But his fear of foreign influence dictated that close Sino-American economic relations would be avoided.

In its fall, 1982, statements, the new leadership suggested a different set of priorities. China's leaders were concerned with the impact of global strategic involvement on China's modernization. China's foreign policy would serve the modernization program not simply by creating a tranquil environment for economic growth, but also by securing the wherewithal for that development through trade and foreign investment. China's entrance into the international economic system, which had begun in the late 1970's, was dramatically accelerated. The architect of this change, Deng Xiaoping, China's leader, was reversing Mao's priorities: emphasis would be placed on economic relations with the West; strategic cooperation would be approached cautiously.

Given the administration's anti-Soviet orientation, the concept of strategic alliance did not die easily. United States Secretary of State Alexander Haig, for example, met with very little success when he tried to promote this concept during his 1981 visit to China. Washington was slow to realize the subtle changes taking place in China's view of the world and grew suspicious of Beijing's reassessment of the Soviet threat.

⁵Quoted in Robert A. Manning, "Reagan's Chance Hit," *Foreign Policy*, no. 54 (Spring, 1984), p. 88.

Then there was the Taiwan question. Early actions by the Reagan administration reflected a certain insensitivity to the importance the Chinese attached to this issue. However, by late 1981 and early 1982, Washington was trying to defuse the arms sales issue. Secretary of State Haig was aware of the danger of this question and the President showed his concern in early 1982 by denying more sophisticated aircraft to Taiwan and by sending United States Vice President George Bush to China. The Chinese responded to these initiatives by signaling that what they wanted was not an immediate cutoff of arms sales but some definite timetable for termination.

Throughout the spring of 1982, statements on both sides suggested that active negotiations were in progress—a fact that might explain the moderate Chinese response to a United States-Taiwan arms deal in April, 1982. These negotiations culminated in the Sino-American communiqué of August 17, 1982, which addressed two issues. First, it restated or strengthened past diplomatic accomplishments: the fact that the People's Republic of China was the sole government of China; the resolve to strengthen ties between the two countries; and the acknowledgement by the United States that "there is but one China and Taiwan is a part of China."

Second, the United States asserted that it did not "seek to carry out a long-term policy of arms sales to Taiwan," but rather "to reduce gradually its sales of arms to Taiwan, leading over a period of time to final resolution." In the meantime, Washington pledged that "arms sales to Taiwan would not exceed, either in qualitative or quantitative terms, the level of those supplied. . . since the establishment of diplomatic relations."

The statement was admittedly—even dangerously—vague, particularly with regard to the issue of possible adjustments for inflation. Nonetheless, the administration had made it clear that it subscribed to earlier agreements and, albeit in very general language, had even pledged to limit and ultimately to end arms sales to Taiwan. However, the success of the agreement depended on actions not yet taken. Given the Chinese distrust of the Reagan administration, they were sure to watch such actions carefully.

Throughout the fall of 1982, the Chinese press reflected not only continuing suspicions regarding American policy toward Taiwan, but also the belief that the United States was not trying to help China achieve its economic goals. The United States had failed to deliver on its promises in respect to technology transfer and Washington was pressing economic issues that China perceived as both insulting and unfriendly.

Thus, as Secretary of State George Shultz prepared to leave for his February, 1983, visit to China, Sino-American relations were again at a crisis point. Certainly, the visit brought no immediate results. The Chinese candidly outlined their grievances regarding American policy: textile restrictions, relations with Taiwan, and problems in technology transfer. As Secretary of State Shultz wryly

noted, if candor equaled friendship, the Chinese had been very friendly.⁶

In assessing the Shultz trip, however, one should not focus solely on the sharp public rhetoric or even the private scoldings; in hindsight, the visit "produced several accomplishments ... that foreshadowed developments soon to alter the tenor and substance of the U.S.-China relationship."⁷ This was so in three respects. The candor of the discussions was indicative of the change in China's foreign policy. With the protective anti-Soviet rhetoric swept away, the real issues and problems in Sino-American relations were addressed. The announcement during the visit of a future meeting between Prime Minister Zhao Ziyang and President Reagan and a visit by Secretary of Defense Caspar Weinberger showed that both sides wanted to improve the relationship. But most important, Shultz's international business background helped him appreciate the central position of economic development in China's foreign policy.

ECONOMICS FIRST

In late May, 1983, United States Secretary of Commerce Malcolm Baldrige arrived in Beijing to attend the first meeting of the United States-China Joint Commission on Commerce and Trade. At the completion of his trip, he announced that the United States would take steps to liberalize its position on technology transfer. In mid-June, the United States announced that China would be moved from the Group P to the Group V export category, regarded henceforth as a "friendly country" with a pledge of "support" from the United States for its modernization policies. At about the same time, a new round of textile talks began.

The Chinese response was rapid. The American willingness to expedite technology transfer went a long way toward allaying distrust of President Reagan; it also accommodated specific Chinese requirements for a new relationship based more on economic cooperation than on strategic considerations. The changed American position was a turning point in Sino-American relations.⁸

In the textile negotiations held in the summer of 1983, the United States also made a concession. Despite pressure from trade union and industry representatives, the administration agreed to a textile quota for China that was less than what Beijing asked for but was higher than that of any other Asian nation. In September, 1983, the Chinese announced that the boycott of American agricultural goods would end.

American gestures that recognized China's sensitivity in the areas of trade and technology and aided China's modernization seemed to outweigh the continuing problem of Taiwan arms sales. By September, 1983, Chinese

leaders were talking openly of an improved relationship between the United States and China and of plans to accelerate the pace of high-level visits. It was announced that Secretary of Defense Weinberger would visit Beijing in late September and that China's Foreign Minister Wu Xueqian would visit the United States in October.

In the fall of 1983, the outlines of a new relationship between the United States and China were beginning to emerge. China continued to articulate its independent foreign policy and was sharply critical of American global policy. In addition, Chinese leaders questioned the effectiveness of President Reagan's anti-Soviet campaign by suggesting that the United States was using opposition to the Soviet Union to entangle other countries. China's restrained reaction to the Soviet Union's downing of the Korean Airlines passenger jet in September, 1983, clearly indicated its rejection of the United States anti-Soviet campaign.

In addition, during the fall of 1983, China continued to work to improve its relations with the Soviet Union. Although Soviet forces on the Chinese border, the occupation of Afghanistan, and Moscow's support for Vietnam were still regarded as the three "obstacles" to improved Sino-Soviet relations, the Chinese continued the series of talks with the Soviet Union begun in 1982.

In this atmosphere, the visit of an American Secretary of Defense seemed curious indeed. The Chinese were decidedly unreceptive to Weinberger's anti-Soviet sentiments and were only moderately interested in discussing military matters. The exchange of training missions was mentioned and, of course, there was some suggestion of arms sales to China. But Chinese leaders minimized the number of actual purchases they would make. Instead, they highlighted the issue of technology transfer; Prime Minister Zhao again stressed the fact that these transfers would reflect "mutual trust." Weinberger was pressed to implement the liberalized guidelines that had been announced earlier.

Thus, the accomplishments of the Weinberger trip were outside his military bailiwick. Essentially, he reassured the Chinese on the technology issue—the final guidelines were announced by mid-November—and maintained the momentum of improved Sino-American relations. His trip was the third by a Reagan Cabinet member in seven months and culminated in the announcement that Zhao would visit the United States in January, with President Reagan reciprocating in April, 1984.

Foreign Minister Wu Xueqian's visit to the United States in October, 1983, continued the positive trend. Wu articulated China's desire for better relations with the United States. But there were also reminders of the obstacles to improvement. The Chinese remained committed to an independent foreign policy and insisted that each foreign policy issue be considered on its merits. By late November, 1983, for example, they were bitterly criticizing the American invasion of Grenada. In addition, they

⁶David Bonavia, "Candid in Camera," *Far Eastern Economic Review*, March 17, 1983, pp. 13-14.

⁷Manning, *op. cit.*, p. 93.

⁸Madelyn C. Ross, "Export Controls: Where China Fits In," *China Business Review*, May-June, 1984, p. 58.

pressed the Taiwan issue, making it very clear that they would tolerate no regression in this area.

In November–December, 1983, the United States took actions that inflamed Chinese sensitivity. The limits to Beijing's forbearance were clearly displayed. The first problem involved the textile imports question. American manufacturers had complained that the Chinese use of different dollar/yuan exchange rates within the Chinese planning system constituted a subsidy of textile exports. They demanded the imposition of countervailing duties. In response, the Chinese charged that Americans did not understand the Chinese system and questioned the ability of the different economic systems to deal with each other.

The Taiwan issue was even more dangerous. In November, 1983, the Senate Foreign Relations Committee passed a resolution calling for a peaceful settlement of the Taiwan issue. At about the same time, both houses of Congress passed an amendment to an IMF (International Monetary Fund) appropriations bill that called on the United States to seek Taiwan's continued membership even if China were admitted. With the specter of regression on the Taiwan issue, the Chinese reacted swiftly and with predictable harshness. China attacked the actions of the United States Congress as unacceptable infringements on China's sovereign rights and linked the actions to President Reagan's affinity for Taiwan. Visiting in Japan, Communist party General Secretary Hu Yaobang and Foreign Minister Wu warned that if the replies to China's protests were not "satisfactory," China would have to reconsider the Reagan–Zhao exchange.

The Reagan administration again made a concession. Through his spokesman, the President maintained that although he would sign the IMF bill, neither congressional statement represented national policy: the United States continued to "recognize the PRC [People's Republic of China] as the sole legitimate government of China."⁹ In regard to the textile issue, on the eve of the Zhao visit it was announced that President Reagan would impose upper limits on imports from Asia in exchange for a withdrawal of the complaint against China. Although a crisis was averted, the last-minute dramatics demonstrated the extreme fragility of the Sino–American relationship.

SUMMITRY AND A NEW CONSENSUS

With these expectations and suspicions in the background, Zhao Ziyang visited the United States in January, 1984, and President Reagan returned the visit in April, 1984. Together, the visits represented a single process: forging a new consensus. The basis of this new consensus is the recognition that economics is at the core of the relationship. Prime Minister Zhao highlighted the centrality of this issue by speaking to two major American business audiences with one simple message: China has opened the door to international economic cooperation

and will not close it. President Reagan, who made a point of visiting a joint economic venture in Shanghai, spoke of himself as a salesman who would do everything but put "a 'Buy American' sticker" on his bag. An accompanying official spoke of the "megabucks" that could be made in Sino–American trade.

More pointedly, the concrete results of both trips were economic. During Zhao's visit, the United States and China signed pacts on the exchange of scientific and technological information and the promotion of trade and investment. In addition, negotiations on a nuclear power agreement continued, encouraged by Zhao's statement that China would not engage in nuclear proliferation. During the Reagan trip, the President himself signed an agreement on taxes that had been initialed earlier in the year by Secretary of the Treasury Donald Regan, and he witnessed the initialing of a nuclear cooperation agreement that was intended to pave the way for American sales of nuclear power plants to China.

POLITICAL ASPECTS

Still, the emphasis on economics does not mean that either side is ignoring the political aspects of the Sino–American relationship. However, in this area the emphases are clearly very different. On the American side, this means continuing to press for a strategic component to the relationship. After all, President Reagan came to appreciate China for its strategic value in opposing the Soviet Union.

China's emphasis is clear. In his speech to a business group in Washington, D.C., Zhao warned that economics could not be separated from politics. As he sees it, the main obstacle to further development is Taiwan. China pressed, particularly during President Reagan's visit, for more dramatic reductions in the level of sales of arms to Taiwan; the reduction from \$780 million in 1984 to \$760 million in 1985 was simply not enough.

China and the United States obviously have policy differences. However, in Sino–American relations—in contrast to Soviet–American relations—summitry has had some beneficial results. It has motivated bureaucracies to solve problems and has led to debate on questions like nuclear cooperation, while facilitating genuine exchange and progress on very thorny issues.

With regard to Chinese demands on the Taiwan issue, the Reagan visit was of tremendous symbolic importance. One of Taiwan's best and oldest friends was visiting Beijing. The President's refusal (in his talks with Deng Xiaoping) to be drawn into any mediating role on Taiwan and his statement that the United States should not involve itself "in this internal affair" was seen as a pledge of nonintervention.

As for American expectations on the strategic issue, the Chinese willingness even to hold such discussions is

(Continued on page 278)

Steven Goldstein is on leave from Smith College, where he is professor of government.

⁹*The New York Times*, November 29, 1983.

"Explanations based on personality or ideology miss the central reason for the current Sino-Soviet conflict. In essence, this conflict is rooted in a clash between the worldviews and values of two resolute leaderships. The Chinese quest for independence and the Soviet desire for influence have repeatedly collided in the past decades. And the experiences of the 1970's strengthened the determination of each nation to pursue its separate and nonparallel interests."

China and the Soviet Union

BY CHI SU

Research Fellow, Center for Science and International Affairs, Harvard University

THE Beijing-Moscow détente advanced quantitatively but not qualitatively between 1979 and 1984. Trade expanded and the number and the importance of official visits increased. But none of the substantive issues that divide the two countries have been solved. Underneath the steady flow of proposals, appeals and gestures, the Soviet leadership appears unwilling to alter its military force posture to allay Chinese fears. The Chinese, on the other hand, seem unprepared to give the Soviet Union a free ride on any and all issues concerning China's security. Hence, the structure of "competitive containment" that each country laboriously constructed in the 1970's will remain intact through the mid-1980's.

Since 1969, Moscow has devised its own strategy of containing China—one that supersedes and perhaps exceeds what United States Secretary of State John Foster Dulles attained in his attempt to contain "international communism." The Soviet Union's ring of encirclement consists of heavy military pressure on China's northern border; the potential threat posed by the Soviet Pacific fleet off China's coastline; the probable subversion of restless Xinjiang minorities; the low-key but persistent pursuit of an "Asian collective security system"; and Moscow's special influence in Vietnam, India, Mongolia and Afghanistan.¹

To break out of this encirclement, China has developed a new strategic relationship with the United States. It has also exhorted Japan, West Europe, and the third world to form an "international anti-Soviet united front" to constrain Soviet behavior worldwide. Under these circumstances, the intermittent talks between China and the Soviet Union on issues relating to their borders, trade and navigation have served as lightning rods rather than normal channels of intercourse.

Each country has approached détente differently. China's attitude toward relations with the Soviet Union appears lukewarm and half-hearted, but that is only a

reflection of China's incremental approach. Beijing started with low-level contacts and has carefully measured the pace of détente in order not to alarm the West or provoke the Soviet Union.

In contrast, the Soviet approach has been more abrupt. For example, the Soviet Union made no new proposals to the Chinese in 1979 and 1980; but in the span of eleven months (from March, 1981, to February, 1982) five new proposals were made. In 1982-1983, Moscow sent a number of officials to Beijing and made public appeals to China, with no reciprocal Chinese effort. Before any specific issues were solved, Moscow seemed eager to agree on a broad set of principles governing their mutual relations, even to the extent of beckoning China to return to the "socialist camp"—an entity the Chinese have long regarded as defunct. In another abrupt move in mid-1984, Moscow suddenly called off a visit to China by a Deputy Prime Minister, Ivan V. Arkhipov, evidently irked by China's continuing ties to the West. This interrupted the most potentially significant development in Sino-Soviet détente since 1979.

These differences in approach reveal much about the reasons China and the Soviet Union chose to embark on the rugged road of détente and why they have been unable to advance. For the Chinese, the policy of limited détente with the Soviet Union represents an effective way of managing the Sino-Soviet conflict; at a deeper level, it is part and parcel of a general reorientation of China's domestic and foreign policies. This reorientation has been motivated by the force of "reality" and the logic of modernization.

After three decades of Communist rule, reality in China was alarmingly grim in the late 1970's. China's military power had fallen far behind the Soviet Union's and had proved woefully inadequate even against Vietnam. Economically, the "Chinese model" had failed so abysmally that the post-Mao leadership found it necessary to invoke market forces to rescue it. In the meantime, Beijing had to struggle to overcome the "crisis of faith" gripping much of the populace. In short, in the 1980's China inspires neither fear nor respect among the family of nations. It needs modernization to restore its legitima-

¹For more information on the Soviet Union's China policy in the 1970's, see Part 1 of my doctoral dissertation, "Soviet Image of and Policy toward China: 1969-1979" (Columbia University, 1984).

cy and power. And in order to insure the success of the "Four Modernizations," it needs a "peaceful international environment."

In view of the security threat and the defense burden that the Soviet Union imposed on China in the 1970's, a reduction of tensions makes good sense. Détente would not only foster more trade between Beijing and Moscow; it would create a political environment wherein China could concentrate its limited resources on development and at the same time feel more secure.

For China, détente with the Soviet Union was also an appropriate response to the rapidly deteriorating Soviet-American relations of the early 1980's. To strike a more "independent" posture between the superpowers would allow China to attain greater maneuverability within the great power triangle—an advantage enjoyed by the United States in the early 1970's. Moreover, in line with its desire for a "peaceful environment," distancing itself somewhat from both powers would allow China to avoid being drawn into conflicts between them and among their allies. At the same time, China could stand on the high moral ground of solidarity with the third world and world peace. Indeed, as tensions between the United States and the Soviet Union rose steadily in the early 1980's, China's declaratory policy has perceptibly shifted from one based on "anti-hegemonism" in 1980, to "independence" in 1982 and "peace" and "disarmament" in 1984.²

In short, China's Soviet policy in the early 1980's grew out of domestic necessity as well as a new international situation. Thanks to its relatively stable leadership, furthermore, Beijing was able to implement this policy in an orderly fashion. Thus China's policy of limited détente seems most likely to continue in the near future.

The Soviet Union has fewer reasons for "normalization." Judging from the available evidence, the Soviet movement toward détente with China seems to have been powered mostly by a tactical consideration to loosen the emerging Sino-American alliance, thereby reducing its two-front threat. Other factors, like the staggering Soviet economy, the burden of an overstretched empire, or the desire of a new leader for diplomatic success, have often been cited by Western observers to explain the new Soviet policy. But they fail to explain one crucial aspect of Soviet policy, i.e., the timing of the new, forceful peace offensive of 1981 and the conscious interruption of the momentum.

²For keynote expressions of Chinese policy in 1980 and 1982, see Deng Xiaoping's speech, "Contemporary Situation and Tasks" (January 16, 1980), and his opening speech to the 12th Chinese Communist party congress (September 1, 1982), in Deng Xiaoping, *Deng Xiaoping Wenxuan* (Deng Xiaoping's Selected Works) (Beijing: Renmin, 1983), pp. 203–204 and p. 372. For China's policy in 1984, see Zhao Ziyang's report to the second session of the Sixth National People's Congress on May 15, 1984, in *Renmin Ribao*, June 2, 1984.

³For a perceptive description of the Kremlin's mood in early 1984, see Dimitri K. Simes, "What Are the Russians Up To?" *The New York Times*, June 5, 1984, p. A27.

Had one of these factors been the driving force behind the Soviet initiatives, the initiative could have been taken in 1980 or earlier, when Soviet economic difficulties and the problems in Afghanistan were already evident. Or the move toward détente could have been made in late 1982 or early 1983, under the leadership of President Yuri Andropov. A reinvigorated peace offensive toward China would have been even more understandable in early 1984 when the new President, Konstantin U. Chernenko, had to preside over domestic and foreign difficulties, and a dangerously strained relationship with the United States.

In fact, however, the timing of the 1981 offensive seems to point toward the prime motivation of the new Soviet policy: to exploit the differences between China and the United States precipitated by the inauguration of United States President Ronald Reagan. Soviet warnings about Washington's two-China policy and the restatement of Moscow's "consistent stand on the Taiwan problem" are only reminders of the contradictions between Beijing and Washington. Though unverifiable, it seems highly likely that during the rounds of "consultations" between the Soviet Union and China, the Soviet delegation has insisted on a substantial reduction in Sino-American security ties as an unspoken precondition to any Soviet concession on the three preconditions raised by the Chinese: the reduction of Soviet armed forces in the Sino-Soviet border areas; the withdrawal of Soviet troops from Mongolia; and the discontinuation of Soviet support for Vietnam.

By 1984, the Soviet Union must be seriously disappointed in China and its relationship with the West. China's open door policy has increasingly tied the Chinese economy to Japan's and the United States. Soviet leaders note that although Beijing flaunts an independent foreign policy, it has been critical only of those aspects of United States policy that are marginal to Chinese interests. On issues including Korea, Japan, Indochina, Afghanistan and, most important in 1984, arms control, the Chinese have either acquiesced in or openly supported the United States position. The exchange of visits among Chinese Communist party Secretary Hu Yaobang, Prime Minister Zhao Ziyang, Japanese Prime Minister Nakasone and President Reagan between November, 1983, and April, 1984, plus the June, 1984, visit of Chinese Defense Minister Zhang Aiping to the United States alarmed Soviet leaders. And the renewed fighting on the China-Vietnam border may have been the last straw.

Given the defiant mood prevailing among the septuagenarian oligarchs in the Kremlin, it was probably thought wise to show displeasure toward the Chinese by cancelling Deputy Prime Minister Arkhipov's visit.³ The cancellation would also serve to warn Beijing's leaders that they could not take Moscow's goodwill for granted while they strengthened China's strategic relationship with the United States and its anti-Vietnam policy. In other words, expectations of strategic gain had girded

Moscow into offering the olive branch to Beijing in 1981; failed expectations led the Soviet Union to withdraw to a holding position in 1984.

China's continuing search for security ties with the West and the deep Soviet concern about such ties underline one of the major causes for the current failure of the Sino-Soviet détente process. For the Chinese, "Soviet hegemonism," incarnated in the Soviet military buildup and the ring of Soviet-supported hostile states, remains a grim reality after two decades of tension.

In the 1980's, Soviet expansionism may be checked by a more assertive American administration. But, in the Chinese view, the Soviet Union remains a serious threat to China's security because of the Soviet policy of encirclement. To counter such a threat, it seems only prudent for China to supplement self-reliance and a limited détente with Moscow with a degree of cooperation with the West.⁴

From the Soviet standpoint, however, Chinese behavior only feeds its perennial fear of the two-front threat. The ongoing discussion of military cooperation between Washington and Beijing, the ever-growing bond between the two economies, the persistent talk in China of "Soviet hegemonism" and "lost territories"—all indicate to Soviet leaders that for all practical purposes the essence of China's policy toward the Soviet Union has not changed and that the smiles and soft tones are mere tactical ploys.

To some extent, the mutual distrust of the two Communist leaderships has been reinforced by the entrenched interests of their respective bureaucracies. This seems to be true particularly in the case of the Soviet ministries and research institutes. The transformation of Soviet Sinology in the late 1960's has brought about closer working relationships between Soviet scholars and practical organizations; it has also produced a generation of advisers who are far more critical of the Chinese system and policy than their predecessors. And by all indications, this group aged gracefully with Soviet President Leonid Brezhnev through the tension-ridden decade of the 1970's and retained its influence under Andropov (and possibly under Chernenko). The Soviet analysis of events in China has been remarkably consistent through the years of conflict and conciliation.⁵

Revamped Chinese Sovietology seems to display an equally distrustful attitude toward the Soviet Union,

although a consensus has not been reached on some important questions.⁶ In this regard, Chinese views and policies may experience more marked and more rapid changes in the years ahead because, in the view of a Japanese observer, more and more cadres of the 1950's (the decade of Sino-Soviet friendship) have returned to positions of influence and because China is increasingly patterning its development after the Soviet model.⁷

Explanations based on personality or ideology miss the central reason for the current Sino-Soviet conflict. In essence, this conflict is rooted in a clash between the worldviews and values of two resolute leaderships. The Chinese quest for independence and the Soviet desire for influence have repeatedly collided in the past decades. And the experiences of the 1970's strengthened the determination of each nation to pursue its separate and nonparallel interests.

For the Chinese, independence implies not only a break with China's alliance pattern of the 1950's and 1970's, but a sense of self-respect. It differs from Maoist "self-reliance" in that it is more confident and vigorous and less defiant and vigilant. Together with modernization, independence gives direction—and offers hope—to China's disgruntled population. In foreign relations, it means a rejection of Moscow's two-camp (socialism versus imperialism) worldview, a denial of the special role of the so-called first socialist country, and an opposition to "proletarian internationalism" as a principle that should govern the relations between socialist countries.

On the other hand, the Soviet Union has its own sense of self. Despite the defects in their economy, bureaucracy and technology, Soviet leaders believe that the enhanced power and status of the Soviet Union vindicate beyond doubt the superiority of their sociopolitical system. Beginning in the early 1970's, Moscow was apparently heartened by the fact that the Soviet Union had put an end to the Pax Americana. Hence, according to Soviet leaders, the Soviet Union can and should play a larger role in restructuring the world order.

In this respect, China represents a threatening challenge to the Soviet self-image, because of China's enormous population, territory, resources and solid revolutionary credentials.

Thus the possibility that the two countries can reach a real détente is slim. The conflict transcends personalities; conflicting worldviews and values are widely shared by elites on both sides. And the conflict also transcends ideology; in each country, the ideology of Marxism-Leninism has become identified with the state.

In the long run, barring a drastic change in strategic

(Continued on page 281)

⁴For an excellent discussion of Chinese security strategy in the 1980's, see Jonathan D. Pollack, *The Sino-Soviet Rivalry and Chinese Security Debate* (Santa Monica: RAND, R-2907-AF, October, 1982), pp. 22-36.

⁵For details on Soviet Sinology, see Chi Su, "Soviet China Watchers' Influence on Soviet China Policy," *Journal of Northeast Asian Studies* (forthcoming, 1984).

⁶See Chi Su, "China and the Soviet Union: 'Principled, Salutary and Tempered' Management of Conflict," in Samuel S. Kim, ed., *China and the World in the 1980s* (Boulder: Westview Press, forthcoming).

⁷Nakajima Mineo, "China May Return to the Soviet Bloc," *Japan Quarterly*, April-June, 1983.

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"The province on the four rivers, in so many ways the quintessence of China, has to tackle the challenges shared by all the country's diverse regions: effective population control, the elimination of environmental degradation, sustained increases in farm yields, reforms of inefficient industries, the satisfaction of rising consumer expectations, and a workable truce between the rigid ruling ideology and the widely perceived need for everyday managerial flexibility."

Sichuan: China's Quintessential Province

BY VACLAV SMIL

Professor of Geography, University of Manitoba

ONE of the silliest of claims, stubbornly repeated by assorted instant China experts as well as by Lindblad's advertisements for sybaritic cruises to China, is that the Great Wall is the only man-made object visible from the moon. Since even the short, preserved stretches of the wall are as narrow as an ordinary road (and since over nine-tenths of it simply does not exist anymore), one cannot spot it without computerized enhancement even on the images taken by LANDSAT satellites, which overfly a mere 950 kilometers above our heads.

But on those rare days when clouds and fogs are gone from the morning skies, passing satellites reveal, without any technical enhancement, China's grandest ancient irrigation system: there the Min Jiang River issues from the Qionglai Mountains onto a fertile plain, the stream is split in two and the branches are then split again and again until one sees a huge, roughly triangular area measuring over half a million hectares (ha).*

When a landing plane descends through the low clouds, the green of the area, so much in contrast with the beiges of the north, is rivaled only by the black of freshly tilled fields. Traveling through the fields one sees the peasants breaking clod after clod, mixing compost, carrying fertilizers. This is the heart of Sichuan, China's most populous and perhaps its most fascinating province, the province that gave the country the ancient custom of tea drinking as well as the latest unorthodox farming reforms, the province that is the birthplace of China's leader, Deng Xiaoping, the mover and the symbol of pragmatic post-Mao China, and the province that is the home of the giant pandas, now the global *vignettes* of Chineseness.

By the end of 1983, Sichuan's population had surpassed 101 million, which means that roughly every tenth Chinese lives in the province (Jiangsu province is a dis-

*One hectare equals 2.47 acres.

¹This report is based on scores of news items and on annual statistical reviews of economic performance published in *Sichuan Ribao* (Sichuan Daily), various Xinhua news releases on Sichuan, and the briefings received by the author from leading provincial economic and energy experts.

tant second with 61 million people).¹ The province is an amazing scaled-down analogue of the country: with a total area four percent larger than France (yet only a small part of the land is cultivable and habitable), it is rich in resources, but the quality of life is poor. Yet there are differences. Encircled by mountains, the province was so difficult to reach that Li Bo's ancient lament—"It is more difficult to go to Sichuan than to get into Heaven"—could have been echoed until the middle of this century. It was not until 1957 that a railway connected Sichuan with Shanxi to the north; in 1970 the first railway link to Yunnan in the south was established. To the west there are successive barriers of mountain ridges and massifs; the easternmost edges of the Himalayas yield only to a new 2,500-kilometer dirt road to Lhasa; to the east one has still only the old option for transit—floating down the Chang Jiang.

This isolation has had obvious political consequences—"first to rebel, last to submit"—was Sichuan's motto. In recent years, the province's fate has been either harsher or more hopeful than that of the rest of China. During the long years of the Cultural Revolution, factional fighting and the persecution of "rightists" left thousands of people dead and tens of thousands wounded (in Luzhou city alone 2,000 people were killed and 8,000 were wounded in the battles of 1967); an irrational "grain-first" policy was translated into forced cereal triple-cropping (rotations of two rice crops and one wheat planting), which brought lower harvests than the traditional two grain crops; the ancient silk industry was almost obliterated as mulberries, those despicably capitalist trees, were cut down; and Chengdu's brocade mill continued its fitful weavings but featured designs of tractors and clenched fists.

The province had a brief but crippling second peak of suffering in 1976. The situation started to worsen in 1974, and two years later Sichuan had to live through yet another year of famine caused not by grave natural disasters but by a power struggle within the dictatorial party. With many fields idle, meat disappeared first, then there was very little grain; disorganized railways could not

handle relief shipments from other provinces and so the boats moving upstream on the Chang Jiang slowly carried the bulk of emergency food supplies. As always in time of famines, those worst off started to flee from the province. The "Heavenly Kingdom of abundance" was starving just when conspirators in Beijing were impatiently waiting for Mao's death to move in and prevent Mao's wife, the failed actress, from becoming a new empress.

If Sichuan was the last to suffer it was the first to start a rapid climb to a new prosperity. In 1977, grain output rose by more than 2.5 million metric tons as Zhao Ziyang, the new secretary of the party's provincial committee (now China's Prime Minister), toured his realm in an "ordinary car" and told peasants to stop planting late rice and go back to the ancient rotation of rice, wheat and rapeseed. Hardly a great innovation on the party's part—but a sure way to raise the yields of grain staples and provide more oil for stir-frying. The peasants approved. "*Yao chi fan zhao ziyang*" went a new pun: "If you want to eat call Ziyang" (the pronunciation of "call" and of the secretary's surname, Zhao, are identical although the two written characters are different).

Industrial output dramatically increased by 30 percent in 1977; the Chengdu brocade mill returned to peacock, phoenix and dragon designs; new mulberries grew in the countryside; and peasants started to crowd nearly 5,000 reopened fairs. Normal life has returned to Sichuan, and with it bold plans for modernization. How well the province will fare, political vicissitudes aside, is far from certain. Its strengths are many but so are its weaknesses.

ENVIRONMENT

The starkest reality first. In a nation where per capita arable land is as scarce as it is in Bangladesh (one-tenth of a hectare both in China and in Bangladesh), Sichuan stands out with its shortage: a mere 650 square meters must feed one Sichuanese. Zhejiang, Fujian and Guangdong provinces have even less arable land per capita (500–600 square meters), but all of them are coastal provinces whose marine catch, lively commercial ties with other provinces and with foreign countries, and ease of food imports put them into a different category. Landlocked Sichuan can rely on outside foodstuffs only in the form of emergency shipments in the wake of floods or droughts.

The intensity with which the Sichuanese plains are cultivated is inevitable but, unlike the coastal provinces, the effort is still overwhelmingly powered by human muscles and by slowly moving water buffalo. Small garden tractors are rare (just over 10,000 a year are produced in the province) as is the efficient method of irrigation with sprinklers (only some five percent of all farmland is sprinkler irrigated).

Perhaps assiduous cultivation partially compensates for scarcity of arable land; but the destruction of forests presents a more serious environmental problem and a

managerial challenge. Deforestation is the key cause of accelerated erosion, a major contributor to recurrent serious flooding and a problem whose attenuation and eventual elimination will require the long-term commitment of both the government and millions of affected peasants and mountain villagers.

The available figures indicate the scope of the problem. For the whole province, the forest cover was reduced by 37 percent between the early 1950's and the early 1980's. In mountainous Aba Prefecture, the loss has reached 68 percent; of the province's 139 counties, only 12 have forests on more than 30 percent of their land, while 91 have less than 10 percent and 14 counties have below 1 percent of forest. Deforestation caused by forest fires, excessive logging, and clearing for field cultivation and pastures has so affected all three large mountainous prefectures (Aba, Garzê and Liangshan) that some Chinese environmentalists regard the rapidly increasing erosion rates in the region as the beginning of a dangerous shift which, in words echoed even by the Prime Minister, could see the Chang Jiang becoming another Huang He with equally intractable silt problems.

That this extensive deforestation contributed to the recent crippling floods in Sichuan is now generally acknowledged. One of China's worst floods in decades hit the province in mid-July, 1981, when the Chang Jiang and all its major tributaries overflowed. More than 20 million people in all but four of Sichuan's 139 counties were affected as floods swept away 1.1 million houses, wrecked crops on 830,000 ha, damaged 38,000 water-control structures and conduits and closed down 3,000 industrial establishments; more than 1,000 people died and some 30,000 were injured in spite of the extensive rescue operations. The total economic loss was put at no less than two billion yuan. Contamination of drinking water and a higher incidence of hepatitis were the most common aftereffects.

Pondering this "painful lesson," the provincial leadership concluded that the massive deforestation must bear a large share of the blame because the natural water-storage capacities of the Sichuanese forests had been reduced by more than 30 percent. Recovery from the flood was remarkably rapid, but little has happened since then in the three mountainous prefectures to avoid a reprise of such a disaster; deforestation has continued, though perhaps at a lower rate. Afforestation and the concomitant reduction of erosion and runoff are needed not only for the protection of the densely populated central plain but also for the future exploitation of what is undoubtedly the province's greatest resource wealth: its rich hydroenergy potential.

ENERGY

China leads the world in hydroelectric capability. It has the potential to generate 676 billion watts of power (676 gigawatts), of which 378 gigawatts are practicably exploitable. Thus China could generate 1.923 trillion

kilowatt hours (kWh) of electricity annually. Sichuan has about 25 percent of the country's potential capacity, which means that Sichuan's hydroelectric capability is unrivaled by any other large populous country or region in the world (the United States has only about one-tenth of Sichuan's potential).

This extraordinary density gives Sichuan an obvious economic advantage in the development of hydroelectric plants. Because generating heads are high, reservoir areas can be relatively small even for large-capacity stations, and resettlement problems are easier to manage; the proximity of outstanding dam sites to large consumption centers obviates the need for prohibitively expensive long-distance, high-voltage links while the high density of the rural population in the basin makes it easier to extend electricity to the villages. On the negative side is the complex geology of southwest China, especially its propensity for earthquakes; the considerable fluctuations between summer and winter water flows would require larger reservoirs.

But these are not unusual obstacles in large power-dam engineering, and Sichuan must aggressively pursue the development of its hydroelectricity. The current installed generating capacity totals 1,200 megawatts (MW) in hydroelectric plants larger than 100 MW (Gongzui on the Dadu He River generates 750 MW, Xingwenping on the Min Jiang River generates 400 MW and the Longchi Cascade generates 108 MW); total capacity is almost 1,000 MW in small hydrostations. While this is a huge advance compared to the 5 MW total in 1949, it is still a mere 2.5 percent of the province's practical potential.²

Development plans include new hydroelectric dams on the Jinsha Jiang (the name for the upper course of the Chang Jiang) and on the Sichuan-Yunnan border—the gigantic Baihetan with 10,000 MW and Xiangjiaba with up to 6,000 MW—but two hydroelectric projects on the Yalong Jiang, 1,500 MW Jinping and 3,000 MW Ertan, will be completed much earlier.

The province has considerable reserves of coal (about 55 percent of Sichuan's counties have commercial de-

posits), largely medium-quality bituminous varieties and even some excellent anthracites. In recent years, the total annual extraction has been running at about 40 million metric tons of raw fuel, 14 times the 1949 output.³ Coal provides about 73 percent of Sichuan's primary commercial energy needs. Plans call for the mining of 50 million metric tons by the year 2000, even though coal will then provide only 60 percent of the overall commercial energy supply. Increasing the amount of coal mined is limited more by mining conditions than by inadequate reserves: the complex, fractured rock strata contain mainly thin and much inclined seams of coal, and fragile ceilings and large volumes of water and methane make extraction hazardous.

The second most important fuel in the province is natural gas, a rarity in China. In spite of extensive exploration and rising production elsewhere, Sichuan still extracts almost half the country's natural gas; but its 1982 output, 5.25 billion cubic meters, was nearly ten percent below the 1981 level. While the latest annual report on the province's economic performance listed an increase of 60.5 million metric tons in coal reserves, no mention was made of any natural gas discoveries.⁴

Biomass fuels (wood and crop residues) continue to provide the bulk of everyday household energy in the countryside; as a result, rural energy shortages in Sichuan are widespread. Results of detailed consumption surveys show that about half of China's rural households suffer fuel shortages for several months a year, while in Sichuan almost 60 percent of all peasant families (some 50 million people) suffer fuel shortages for more than three months each year.

Crop residues (mainly cereal straws) are the principal household fuel in densely settled and intensively farmed lowlands, but burning these residues in simple stoves is very inefficient. The province has pioneered the more efficient use of biomass in biogas digesters, where the fermentation of various organic wastes (mostly animal manures, nightsoil and straw) yields not only clean gas for cooking and lighting⁵ but also a valuable, nonoffensive fertilizer that, because of anaerobic fermentation, is virtually devoid of pathogens.

By 1978 Sichuan had about four million family-size biogas digesters, or nearly 60 percent of China's total, and it had bold plans for their massive diffusion. However, since then the number has declined to about 2.7 million and additions have been minimal.

This retreat is not surprising; most of the digesters were built with little enthusiasm during repeated mass campaigns before contract farming began.** Although a properly managed typical unit will produce some 200 cubic meters of gas each year—energy sufficient to cook three meals a day for a family of four to five for 200 days—poor construction (the digester must be absolutely airtight), improper operation (variables like temperature, pH and liquidity must be kept within rather narrow limits for good performance) and shortages of proper fuel

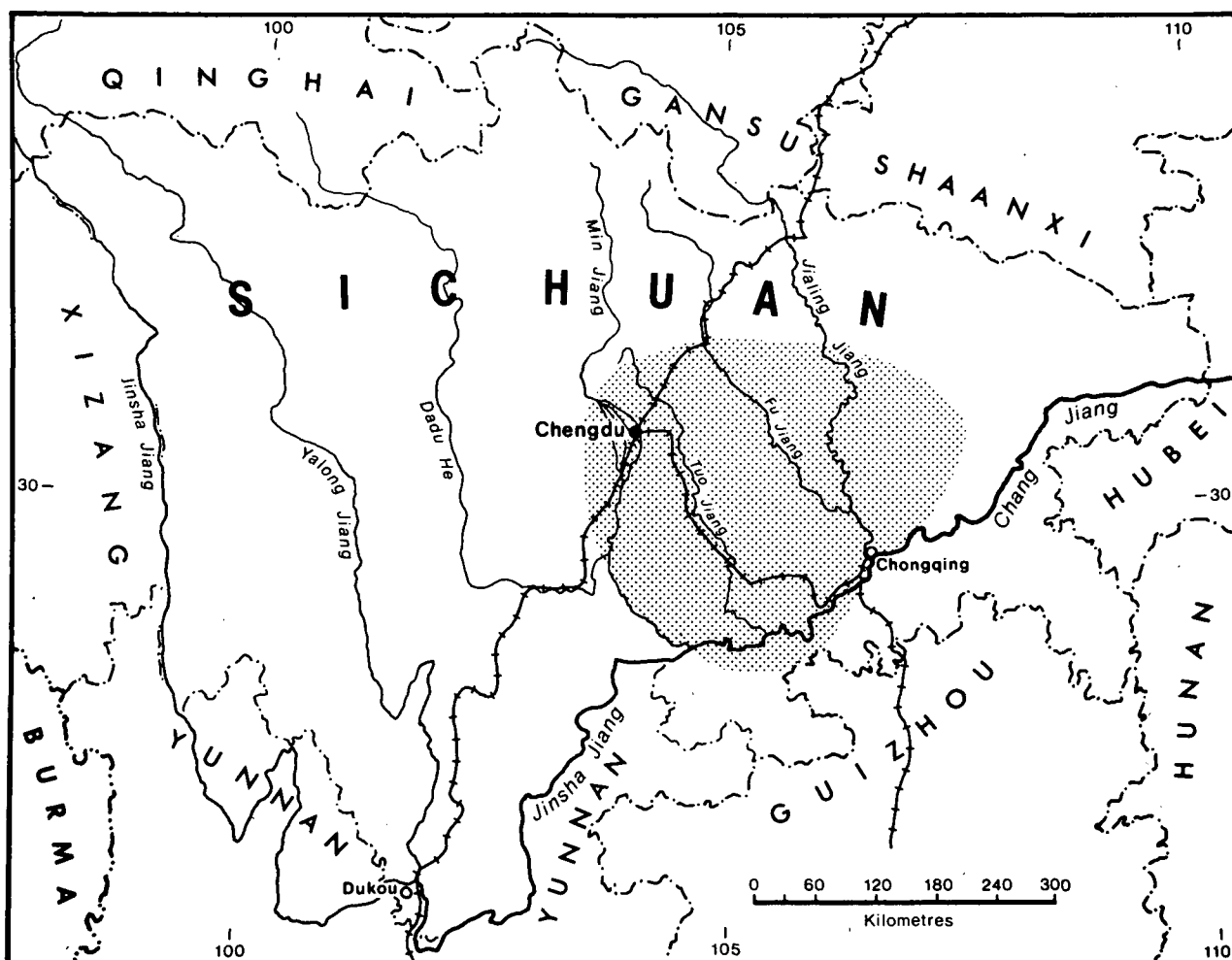
**Editor's note: For an explanation of the contract system, see Kuan-I Chen, "China's Changing Agricultural System," *Current History*, September, 1983, pp. 260–261.

²Sichuan's installed generating capacity is equal to just one-half of China's nationwide mean. Its usage level of 2.5 percent of practical potential is incredibly low compared with virtually all Western nations, where between one-third to four-fifths of the potential is used.

³With an average heat content of 22MJ/kg (22 megajoules per kilogram), this output translates to 30 million metric tons of hard coal equivalent.

⁴Imports of refined oil products are minimal. The province-wide consumption of roughly 40 million metric tons of coal equivalent prorates to just 400 kilograms coal equivalent per capita, or about two-thirds the national mean of 600 kilograms coal equivalent.

⁵Although biogas contains only about one-half of natural gas's energy, it is usually a better fuel than the town gas produced by coal gasification.



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Four rivers flowing through the fertile farming basin (shaded area on the map) gave the province its name: the Jialing, Fu, Tuó and Min Jiang are the Chang Jiang's major tributaries in the eastern part of the province. Chengdu, Sichuan's capital, is located near the easternmost edge of the ancient Dujiang irrigation area. One railway from the north and two links with the south are the province's only reliable land connections with the rest of the country.

(especially in small families) made this relatively simple and appealing technology much less desirable than forecast.

Still, better built and designed biogas digesters can help alleviate the province's rural energy shortage. Private fuelwood lots, planted on any suitable slope and guaranteed to remain in the peasants' ownership for decades, and more efficient household stoves now promoted throughout China are the other key approaches.

Opportunities for energy conservation among large industrial users also exist. Since 1978, the Chinese press has been full of stories about old inefficient boilers known as "coal tigers." But the examples I heard about in Sichuan are hard to beat: a paper mill operating with a boiler salvaged from a nineteenth century ship; another enterprise that was stoking two steam generators, one made in 1905, the other in 1864. Undoubtedly, these are fine testimonies to the engineering skills of long-gone British or American boiler-makers and to Chinese tenacity

⁶The savings were equivalent to 1.5 million metric tons coal equivalent (over 3.5 percent of the total primary energy use).

in keeping those ancients around; but with 5 percent efficiency—compared to 80 percent for a large modern boiler—they are a shockingly expensive and wasteful way to use scarce energy.

The replacement of some of these wasteful boilers and outdated transformers, compressors and pumps, the conversion of boilers from gas to coal, and the introduction of new salt-making technology helped the province to save on energy use during 1982.⁶ The installation of meters to measure electricity and gas usage has progressed rapidly; 95 percent of all enterprises and institutions are finally being charged according to their consumption rather than by flat fees that encourage wasteful use.

But even with "coal tigers" gone and meters in, increasing the energy efficiency of factories will be hampered by the province's heavy industrial orientation.

In Sichuan, the assets of some 2,000 state-owned heavy industrial enterprises represent nearly 90 percent of the province's fixed industrial capital, with defense production comprising a very large proportion of the total.

This huge heavy industry burden has made the recent

readjustment of production very difficult; even considerable growth rates in light industrial output could not make up for the decline of those heavy industrial branches that used to turn out mostly useless but profitable capital goods. The Chinese readily admit that such production has been largely self-serving, but the reorientation of these dubious industries to serve farming, food processing and textile production has often been an intractable task.

Overall increases in industrial output were 7.2 percent in 1981 and 9.5 percent in 1982. Light industry still lags, with a 5.8 percent increase in 1982, whereas heavy industry pulled 13.4 percent ahead—old habits die hard! Most of this heavy industrial growth comes from the huge Panzhihua steel complex, which spawned the province's newest city, Dukou, with over 300,000 people. The complex draws on the area's rich deposits of iron ore, which are thought to be sufficient to smelt 1.5 million metric tons a year of pig iron for at least a century. The province-wide output of steel products went up 15 percent in 1982, although in the same year the shipments of hand tractors and electrical generating equipment declined by 7 percent and 57 percent, respectively, both surprising trends in a province so heavily dependent on intensive farming and endowed with such hydroenergy potential.

In 1982, production increases in light industrial goods were led by bicycles (140 percent) and sewing machines (55 percent); detergents and silk fabrics increased by 15 percent and television sets and watches by about 10 percent; at the same time, the output of radios fell by 65 percent and shipments of synthetic and blended cloth fell by 15 percent. Ownership surveys show the large gap between the living standards of urban and rural families and hence the huge potential for the expansion of light, consumer-oriented manufactures: while at the end of 1982 every 100 worker households had 228 watches, 77 radios, 57 television sets, 55 sewing machines and 48 bicycles, the corresponding figures in peasant families were just 46 watches, 28 radios, less than one television set, 7 sewing machines and 14 bicycles. However, the change most welcomed by peasants and urban dwellers alike is not more silk or more television—but more white rice, more pork and more cooking oil.

FOOD

Unlike many nondescript northern or Cantonese creations, Sichuanese food has an assertive taste even when it is not *là*, that is, brought by the lavish admixture of fiery peppers to the point of unpalatable hotness. Although both northerners and southerners may frown at its flavor, China's Sichuanese cuisine has recently made big inroads in North America as assorted gourmet critics and "up-scale" diners have discovered its appeal. At the pinnacle is Sichuan Pavilion, now in New York and Washington, whose chefs are selected by the provincial government and shipped to the United States for the greatest authenticity.

Sichuanese peasants are still far from feasting at Sichuan Pavilion-style multicourse banquets, but like most of China's villagers, they are eating much better than at anytime since the late 1950's. With famine occurring as recently as 1976, the contrast in Sichuan is especially impressive. Compared with 1978, the 1980 consumption of meat and liquor was up by one-third, eggs by 15 percent, and oils and sugar by 10 percent; direct grain consumption actually declined by 7 percent but its makeup improved (rice and flour consumption rose from 63 percent to 71 percent and sweet potatoes and corn proportionately declined) as peasants devoted more of their coarse grain to feed.

FARMING

The key agricultural change has been the introduction of the contract system, with families becoming responsible for the cultivation of specified crops or for raising animals. After the contract system was introduced in 1978—Sichuan was the first province to implement it on a large scale—productivity rose so appreciably that three years later it was estimated that somewhere between 30 and 50 percent of Sichuan's rural labor force was superfluous. One way to soak up this surplus was the encouragement of small, labor-oriented establishments, but undoubtedly a more important move was to create labor-intensive opportunities in the fields by doubling the share of land allotted for private use to 15 percent. Peasants responded not only by growing more grain but by moving vigorously into oil seeds (province-wide output rose by 40 percent in 1982), medicinal herbs and flowers, and fruit trees.

And, of course, there are many farming possibilities outside the fields: a survey in a Sichuanese county town showed that *Raising Angora Rabbits* and *Scientific Cultivation of Mushrooms* have become best-sellers and thousands of families specialize in the pond-breeding of fish. More than 10 percent of peasant households in the province are specialized in one or several "sideline" activities and are involved only marginally, or not at all, in the production of staple foodstuffs.

Besides the contract system and higher private plot allocations, Sichuan pioneered yet another important farming innovation: expert consultancies. Peasant households wanting to maximize their profits sign a contract—either with a government agrotechnician or, as often preferred, with a self-employed local expert—which makes the consultants financially responsible for any losses caused by inappropriate advice. Consultant fees are typically five to eight yuan per hectare in the case of field crops but they vary much more widely for the provision of more specialized services in animal and poultry breeding, agriculture, aquaculture and apiculture. In many cases, consultants get bonuses for output surpassing the levels specified in contracts.

Surprisingly, the recent sustained increases in food production were achieved with minimal increases in fer-

tilizer applications. As elsewhere in China, phosphorous and potassium fertilizers are used very sparingly, but the traditional composting and recycling of organic wastes is still vigorously practiced.

Other improvements explain the rising yields, foremost the fact that since 1981 more than four-fifths of the area sown to rice was planted in high-yielding hybrid rice; similarly, hybrid corn seeds have largely displaced traditional local varieties.

In spite of their recent rapid increases, average peasant incomes also remain below the national mean: 234 vs. 270 yuan in 1982, roughly a 15 percent difference (while for workers' salaries the discrepancy between the nationwide mean and the Sichuan mean is less than five percent). However, income distribution has moved in a favorable direction; only some five percent of peasant families earn less than 150 yuan per capita per year, and the share of households with annual net per capita income over 300 yuan jumped in 1982 by nearly ten percent, to 28 percent. Mountainous areas continue to have the lowest rural living standard and improving the economy of these large regions will continue to be one of the province's principal challenges.

CHALLENGES

The improvement of the economy in the mountains surrounding the central basin may seem a strange choice of priority for Sichuan—but it is a physical necessity. What the Chinese repeatedly call the “reckless destruction” of forests has not stopped in these mountainous regions, although Sichuan depends on these forests for the storage of irrigation water and for protection against crippling soil erosion; they are also the principal barriers against catastrophic floods.

The Chinese are keenly aware of these roles. Tan Qilong, the province's first party secretary, stressed that “the 1981 flood, which caused disastrous damage to vast areas of the province, was brought about by the drastic reduction of forest land in northern Sichuan.” This fact has been reemphasized many times since July, 1981. Among the solutions: stop the further conversion of forests to fields, reduce timber felling in all areas, completely close the access to many forests for at least a decade of natural regeneration, support careful, sustained, incentive-driven afforestation projects (not just simplistic one-shot mass campaigns).

All this means, of course, that the government must cease demanding local grain self-sufficiency and must provide the mountainous areas with much or most staple grains in return for their specialization in well-managed forestry, growing various oil and fruit trees, raising silkworms, bees, and small fur animals, and producing meat, butter and wool from herds of cattle and sheep. And the government must invest in scientific afforestation: between 1958 and 1980 only three percent of Sichuan's agricultural funds were put into afforestation and forest management, clearly inadequate.

With forests once again providing invaluable environmental services to the densely populated, intensively cultivated plains, it should be easier to increase the average staple crop yields and to diversify even more the province's farming. Sichuan's latest population growth rate of almost exactly one percent a year is already about one-third below the national average. But this rate would still increase the province's population by about 20 percent during the next generation, and this expansion would have to be more than matched by growing yields to improve average diets and to make up for inevitable farmland losses (owing to new housing, industries and transportation links).

The province on the four rivers, in so many ways the quintessence of China, has to tackle the challenges shared by all the country's diverse regions: effective population control, the elimination of environmental degradation, sustained increases of farm yields, reform of inefficient industries, the satisfaction of rising consumer expectations, and a workable truce between the rigid ruling ideology and the widely perceived need for everyday managerial flexibility. What makes Sichuan special is not only its huge population, its relative isolation and its history but also its extraordinary contrasts.

These contrasts abound: in the midst of the province with the world's largest hydroelectricity potential, laborers are sawing long tree trunks *lengthwise* for hours to get a few boards. In downtown Chengdu one can feel very *bourgeois* buying freshly cut flowers in an inviting outdoor market or ogling a selection of china as fine as in any of Shanghai's stores—but after sunset the meager lighting, the milling crowds of pedestrians and the bicyclists rushing through dark streets take away any illusions of pleasant life and accentuate the shabbiness and poverty of the city. In the countryside, the verdant crops and tall bamboo groves make it easy to forget that people often have little fuel to cook their still monotonously simple meals. And when one sees the narrow paths between the fields and notices that even many hedgerows and dividing ridges are planted to vegetables or feed crops the increasing disparity between the shortage of land and the increasing population becomes acutely evident.

There is little doubt: in terms of everyday life the 1980's have been the best years in Sichuan's long history; people eat more and buy more goods than ever. And there is also hope that, after a generation of suffering, life will continue to improve. But there remains a basic uncertainty about how long the recent welcome changes will continue. For the prosperity of Sichuan and the country that the province so uniquely mirrors, one must hope that they will continue without stopping. ■

Vaclav Smil has research interests in interdisciplinary energy studies and in the energy, economy, food and environment of China. His latest book is *The Bad Earth: Environmental Degradation in China* (New York: M.E. Sharpe, 1984).

"Five years of reform have passed in China. The policies of the reformers have brought tangible benefits to the nation and to its citizens. The policies themselves have become acceptable and entrenched, making it more difficult to overturn them."

China's Reform Program

BY CHRISTOPHER M. CLARKE

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CHINA's post-Mao reform program, launched in December, 1978, is almost six years old.* Preliminary results show that the leadership's economic, organizational and social reforms have been surprisingly successful in rejuvenating the economy, expanding foreign trade and improving the condition of many Chinese citizens.

However, the initiators of this reform effort, Deng Xiaoping** and his senior colleagues, are approaching or already past 80 years of age. With the retirement of China's elder statesmen to advisory status, a new cohort of leaders has emerged. Whether this generation of successors can consolidate its political position and continue the reform program in the face of significant historical, cultural and systemic tendencies toward conservatism, inertia and bureaucratism is the key question China will face over the next decade. The smooth transition of power to this new generation and the continuity of the current reform policies over the next few years rest on five key factors.

The first is the success of Hu Yaobang and Zhao Ziyang in cementing their respective positions as General Secretary of the Communist party and Prime Minister of the State Council. The signals on this score so far are positive.

Prime Minister Zhao has established himself quickly as an active, well-informed and competent administra-

*The views reflected in this article are strictly those of the author.

**Editor's note: Deng Xiaoping is the de facto head of state even though he does not hold a ranking position (he is chairman of the party and state military commissions). His power comes from his control of the policymaking standing committee of the Politburo. For more information see H. Lyman Miller, "China's Administrative Revolution," *Current History*, September, 1983.

¹This is not surprising given his provincial record. See David L. Shambaugh, *The Making of a Premier: Zhao Ziyang's Provincial Career* (Boulder, Col.: Westview Press, 1984).

²See the author's "China's Organizational Revolution," *The China Business Review* (July-August, 1982) and H. Lyman Miller, "China's Administrative Revolution," *Current History* (September, 1983).

³See Christopher M. Clarke, "China's Revolution in Administrative Structure: Implementation of Central Party and State Reforms in Post-Mao China" (Paper presented at the Workshop on Studies in Policy Implementation in the Post-Mao Era, Columbus, Ohio, June 20-24, 1983).

tor.¹ In 1982, he engineered a major transformation of the State Council, drastically reducing the number of Vice Premiers, cutting the number of central government agencies by almost half, and reducing the number of ministers and vice ministers by two-thirds.² Similar reforms took place in the various ministries and commissions.³ Today, Zhao presides over a State Council that is leaner, better educated, more competent technically, and more aggressive in seeking efficiency and profitability than at any time in the past 15 years.

Zhao has also established his position as a leader of international stature by receiving dozens of foreign dignitaries in China and by making state visits to more than 12 foreign countries, including the United States and Canada.

In the last two years, Hu Yaobang has tried to emerge from the shadow of his mentor, Deng Xiaoping. This has not proved easy, since many of the issues facing the Chinese leadership still demand the attention and prestige of Deng, Chen Yun (a member of the standing committee of the Politburo) and other senior leaders. Nevertheless, Hu has expanded and deepened his base of support in the party bureaucracy through a series of appointments and reorganizations.

The political system that seems to be emerging is a traditional division of labor between the head of the party and the head of the government. Hu's role centers on party affairs, social and cultural issues, and foreign policy, while Zhao administers the government, the economy and international relations in a narrower sense.

While the potential for friction between Hu and Zhao cannot be discounted, it is encouraging that they apparently joined forces in the first significant challenges to the transition of power to Deng's chosen successors: the "spiritual pollution" campaign and the attacks on Hu's leadership by the conservative wing of the Deng coalition. Whether Hu and Zhao have sufficiently established their personal prestige and political connections to survive the impending transition cannot be known until Deng passes from the scene. Nevertheless, both are in a stronger position today than they were a year ago.

The second factor on which the success of China's generational transition rests is the downward extension of the central party and state apparatus reforms. Between

December, 1982, and May, 1983, almost two-thirds of the top 1,400 provincial officials were either retired or removed, including all but three governors and nearly one-third of the party's first secretaries. Provinces reduced the number of top officials, abolished or consolidated administrative agencies, and contracted the size of their staffs.⁴

In late 1983, this process was extended to the prefectural, county and municipal levels, and the jurisdiction of many small and medium-sized cities was expanded to encompass the surrounding countryside. In fact, by early 1984, more than one-fourth of China's 2,000 counties were under the administrative jurisdiction of a neighboring city, 22 counties had been directly absorbed by cities, and 35 prefectures had been abolished.⁵ At the same time, administrative functions have been taken away from commune authorities and recentralized in newly reestablished township governments. These local reforms have reduced bottlenecks in the supply of agricultural commodities and light industrial raw materials to cities, and they have improved the flow of consumer goods to suburban peasants.⁶

China has also been experimenting seriously with the idea of economic macroregions. So far these regions are still in the planning stage.⁷ However, the growing trend toward cross-provincial economic contact and cooperation is an encouraging sign of continued experimentation and reform.⁸ In 1983 alone some 8,215 contracts were signed between 25 provincial-level entities for economic cooperation, technical transfer, and the exchange of technicians and material, representing a 230 percent increase over the previous two years.

MILITARY REFORM

The extension of reforms to the military is crucial for a smooth succession and for continuity in the current policy program.⁹ Over the past several years, Deng Xiaoping

⁴See Christopher M. Clarke, "The Shakeup Moves Down," *The China Business Review* (September–October, 1983) for five examples.

⁵121 of China's 286 cities exercised jurisdiction over 541 counties. In addition 40 county seats were upgraded as independent cities. See *Ta Kung Pao*, March 1, 1984.

⁶For a pessimistic view of these reforms see Steven B. Butler, "Is China Losing Something with End of Collectivization?" *Asian Wall Street Journal*, January 25, 1984.

⁷"China's 8 Zones for Priority Investment," *The China Business Review* (September–October, 1983) and Victor C. Falkenheim, "Distributive Politics and Regional Reform in Post-Mao China" (Paper presented at the Annual Conference of the Association of Asian Studies, Washington, D.C., March 23–25, 1984).

⁸Carolyn L. Brehm, "Shanghai Unleashed," *The China Business Review* (September–October, 1983) and E. Sabina Brady and James B. Stepanek, "Eggs for Steel," *The China Business Review* (September–October, 1983).

⁹Much of the following is taken from the author's forthcoming article on the politics of China's military modernization in *The China Business Review*. See also the article by June Dreyer in this issue.

has moved forcefully to retire aged commanders, and to recruit and promote younger, better educated, more professionally oriented officers. In September, 1982, 43 top military leaders were elected to the new party Advisory Commission, the first step toward retirement. Within months, 6 of 11 military region commanders, 7 of 11 regional political commissars, and at least 20 of 28 military district commanders were replaced. In the Beijing military region alone, more than 1,000 regimental officers, including 40 general officers, were retired on Army Day (August 1), 1983. Visits by highly qualified observers to various military regions and districts confirm that the "youth movement" is succeeding at the field force-level in replacing the senile and incompetent with the young and ambitious.

As a result of these changes in leadership, China has begun to rethink its military doctrine. Facing a highly mechanized, mobile Soviet army across the flat, open North China plain, the PLA now expects to fight a "People's War under modern conditions." This requires enormous changes in tactics, equipment, training, education, recruitment, command and control, and logistics.

Substantial reforms are under way in each of these areas. For example, China has reestablished the system of military academies disbanded during the Cultural Revolution. About 20 military schools have four-year, college-level courses for PLA officers, and by the end of 1984 70 percent of all officers, from platoon commanders on up, will be expected to have attended one of the hundreds of lesser academies. In the future, officers will not receive promotions if they have not attended a formal military academy program.

The emphasis in troop training has also changed. As Chief of Staff Yang Dezhi said in 1983, the PLA has shifted its stress in training from "anti-infantry to anti-tank warfare, from single-services to combined units, and from soldiers to officers." The increase in combined-forces exercises, like the massive war games outside Beijing in late 1981, reflects this change in priorities.

In short, the PLA is moving toward a regularized, professional military establishment. Symbolizing this professionalization is the return of military parades, the issuance of new, snappier uniforms, the promulgation of a new discipline code and, probably by 1985, the reinstitution of rank.

Despite the advances that have been made in the recruitment and promotion of lower ranks, the senior command of the PLA is still largely made up of Long March and World War II veterans. Deng Xiaoping is 80 years old and has not found an acceptable successor as Commander in Chief. The ages of his top dozen military commanders range from the late 60's to the mid-80's. But Deng is aware of the problem; at a 1980 meeting of the party's Military Affairs Commission he remarked:

I am afraid that most of the people here, if not all, will find it difficult to carry on work. You will all be over 70 in seven or

eight years from now. Will you be able to discern the outcome on the battlefield? If a war should break out, would you be able to stay wide awake for three days and nights at a stretch?¹⁰

CRISIS OF CONFIDENCE

The success of China's reform program also rests on the effort to deal with the nation's "crisis of confidence." Some promising steps were made in this direction, but toward the end of 1983 these efforts were seriously jeopardized.

In late 1982, the party announced its intention to re-evaluate the qualifications and to reregister all Communist party members in order to root out leftist and corrupt elements. The party and government cracked down on crime, executing hundreds of offenders for offenses ranging from murder and rape to embezzlement and smuggling. Thousands more were imprisoned. Even relatives of high-ranking officials were not immune from prosecution and punishment.

At the same time, opportunities for employment and education were expanded; spare-time recreation and cultural activities were increased and improved. Rationing of cotton cloth, in place since 1954, was suspended.

The public initially acted with approval. However, public optimism was seriously undermined in October, 1983, when senior party leaders opened a campaign to combat the effects of "spiritual pollution"; in other words, contamination by bourgeois Western life-styles and ideas.

The zealotry of lower-level officials and professional party puritans in implementing the campaign was quickly denounced by party General Secretary Hu Yaobang. The focus of the campaign was shifted to stamping out pornography and other corrupting influences, and on assuring a modicum of ideological orthodoxy in cultural and artistic circles. Nevertheless, the quest to eradicate "spiritual pollution" sent a chill through the Chinese intellectual community.

Perhaps more important, the conduct of the campaign and the ideological issues involved apparently posed the first major threat to Hu Yaobang's leadership since he became the party's head. Although the details are sketchy and still in the realm of informed rumor, it appears that Hu and Prime Minister Zhao beat back an attempt by ideological and propaganda watchdogs to undermine continued liberalization. Moreover, it appears that Deng Xiaoping sided with his successors against his long-time colleagues.

TANGIBLE BENEFITS

The long-term success of China's reforms rests on the question of whether the reforms will provide tangible

¹⁰Deng Xiaoping, "Streamline the Army, Raise Combat Effectiveness," in *Deng Xiaoping Wenxuan* (Selected Works of Deng Xiaoping) (Beijing, 1984).

¹¹"Party Document on Rural Work," *Beijing Review*, no. 8 (February 20, 1984), p. 6.

short-term benefits to the populace. In 1983, the gross value of agricultural output rose five percent and the value of industrial output increased by more than one-tenth. The output of grain has climbed by almost one-fourth in five years, while the production of cotton has more than doubled. Overall, the total national industrial and agricultural output, as well as the production of more than 30 major industrial and agricultural products, reached the 1985 targets ahead of schedule.

In the agricultural sector, the contract responsibility system has been extended to more than 90 percent of China's farming households. The party's "Circular on Rural Work in 1984" called for land contracts to be extended to 15 years in order to assure peasants of the permanence of the system, and to give farmers an incentive to invest in fertilizer, improvements and agricultural machinery.¹¹ A growing number of peasant households are being encouraged to specialize in forestry, stock-raising, pisciculture, and various services including transportation and agrotechnical consultation. As a result, peasant per capita income in 1983 exceeded 300 yuan, a 12 percent increase over the previous year. Visitors report tremendous growth in rural housing construction, and purchases of expensive consumer durables are increasingly common, at least among suburban peasants.

The urban standard of living has also risen. Between 1979 and 1982, the real income of urban residents increased at an average annual rate of 8 percent. Income in 1983 rose to more than 500 yuan per capita, a 6 percent increase over 1982. Savings deposits nationwide rose more than 11 percent. Increased income has led to the consumption of more and better quality foods like lean meat, eggs, poultry and fish. Retail sales jumped by 10.5 percent in 1983, to 284 billion yuan, with sales of washing machines up by 28.3 percent, refrigerators by 93.9 percent, color televisions by 136 percent, tape recorders by 80.1 percent and cameras by 37.6 percent.

FORECAST

The central concern of foreign traders and investors, of friendly governments, and of the Chinese themselves is stability—stability of both personnel and policy. As the party rectification and organizational consolidation campaigns proceed during 1984 and 1985, there will be substantial personnel turnover in China, from the factory and farm level all the way to the top of the Politburo. Lower level personnel turnover may be somewhat disruptive in the short term, but in the long run it will

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"Since 800 million people live in the countryside, the economy will move ahead only when China's rural economy becomes prosperous. . . . To dispel the peasants' constant fear of returning to the old ways and to mobilize people's initiative in the years to come, the Chinese leadership may find it necessary to rely on private ownership and market mechanisms."

China's Economy: Advances and Dilemmas

BY CHU-YUAN CHENG

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IN 1983, the Chinese economy registered its best performance in several years. Bolstered by an exceptional harvest, the economy scored solid advances on many fronts. Although the economy is still constrained by a critical shortage of capital and by backward technology, the Chinese leadership has broken many shackles of Maoist doctrine by making new concessions to individual households and opening the door wider to foreign capital. The new policies, which may help to sustain the economic growth, have intensified the ideological schism within the party's top hierarchy. The result of the internal struggle under the party's current rectification campaign may affect the future course of the economy.

In the wake of its initial failure to implement an ambitious ten year development plan in 1978, the new leadership in Beijing adopted a more cautious policy towards modernization. The sixth five year plan (1981–1985) approved by the National People's Congress in December, 1982, outlined a very moderate goal for the national economy. Instead of another Great Leap, the annual growth rate for the gross output value of industrial and agricultural production was set at only four percent, with the hope of achieving a five percent growth. The targeted rate amounted to one-half that attained between 1952 and 1978. Because of the substantial reduction in capital investments to improve personal consumption in the 1978–1981 period, the economy entered a period of slow growth. The annual growth rate of the gross output value of agriculture and industry dropped steadily from 12.3 percent in 1978 to 8.5 percent in 1979, to 7.5 percent in 1980, and to 4.6 percent in 1981. One major factor contributing to the diminishing growth rate was the sharp decline in heavy industrial output, which fell steeply from 7.7 percent in 1979 to 1.4 percent in 1980 and to a negative 4.7 percent growth rate in 1981.

To arrest the downward trend, developmental policies were quietly revised in 1982. Under the new autonomy program of local government and state enterprises, provincial government and individual enterprises greatly increased their investments for high profit industries, resulting in a sudden upsurge of investments. Capital investment for the entire economy rose 25.4 percent in

1982—the most rapid advance since 1970. The new investment boom spurred the demand for heavy industrial products. The output of heavy industry jumped 9.9 percent in 1982 in contrast to the original 1 percent increase stipulated in the state economic plan. The resurgence of heavy industry continued into 1984.

Many prominent Chinese economists are worried that the chronic structural imbalance in industry, which the current adjustment program is intended to correct, may soon reappear. Nevertheless, the expansion process has gained increasing momentum. Investment in fixed capital for 1983 was originally planned at 50.7 billion yuan (\$25.35 billion), 10 percent below that invested in 1982. Actual investment, however, rose to a record high of 59.4 billion yuan (\$29.7 billion), exceeding the plan by 17 percent. Increased investment further speeded up heavy industrial output, which showed a 12.4 percent increase in 1983, the highest in more than a decade. Output of crude steel was more than 40 million tons, up 7.5 percent from 1982, and exceeding the target set for 1985, the final year of the sixth five year plan (see Table 1).

In contrast to heavy industry, the light industry growth rate showed signs of slowing from the high of 18.4 percent in 1980 and 14 percent in 1981 to 8.7 percent in 1983. The growth rate is still much higher than the 5.6 percent attained in 1982. During the past 5 years, light industry enjoyed wide expansion. Some 10 billion yuan (\$5 billion) of state funds were allocated to light industry as capital investment, and 120 large and medium-sized plants were constructed. By the end of 1983, China's light industry encompassed more than 70,000 enterprises with a total employment of 12 million people.

Great progress has been made in durable consumer goods production. Some "hot" items that were widely sought in the past, like watches, bicycles and sewing machines, are now produced in large quantities and meet the demand of consumers. In 1983, China turned out 34.7 million watches, 27.6 million bicycles, 10.9 million sewing machines, and 3.7 million washing machines, all substantially surpassing the output of five years earlier.

The impressive advance in industrial output could not have been achieved without prosperity in the rural areas. Since 1979, the new leadership has pursued a series of policies to mobilize peasant initiative. Procurement

prices for agricultural products have been raised by more than 30 percent. The commune system, which stifled peasant enthusiasm for two decades, has been de facto abolished. A household contract system was introduced in 1979 and soon spread throughout the entire country. The system contracted individual households to farm land, specifying the obligations and allowing the peasants to manage the operations. Under the new system, peasants could spend part of their time working on their contracted land and part of their time pursuing diverse activities. Some talented peasants began to specialize in animal husbandry, food processing, transportation, fishery, forestry, or trade. The diversification of labor led to the emergence of millions of "specialized households" and "key households" (whose marketable rates were relatively high). Since the labor productivity and marketable rate of these households were much higher than ordinary households, their income soared. Some households now earn more than 10,000 yuan (\$5,000) per year, 30 times the national average, and their success has evoked emulation. By March, 1983, the total number of "specialized" and "key" households had reached 24 million or 13 percent of the total peasant households.

The advent of the contract system promoted an overall upsurge in agricultural production. Between 1979 and 1982, the annual growth rate of agricultural output was 7.5 percent, far exceeding the 3.2 percent growth rate for the 25 years between 1949 and 1975. Because of the extraordinarily good harvest in 1983, grain output soared by 32.78 million tons over the preceding year, to reach a record of 387.28 million tons, an increase of 9.2 percent. Cotton output, surpassing several bumper years, increased by 28.9 percent, with total output reaching 4,637,000 tons.

The sharp rise in grain and cotton production enlivened the rural economy. The national average of per capita net income in peasant households in 1982 was double that of 1978, reaching 270 yuan (\$135). The total volume of retail sales in 1983 showed an increase of 10.9 percent over 1982. Because of greater cotton production, more cotton cloth became available. As a result, coupons for the purchase of cotton cloth were abolished in December, 1983. Although part of the staggering increase of food grains and cotton in recent years represents recovery from the stagnation between 1970 and 1977, the household contract system undoubtedly accounts for most of the achievements.

Despite recent advances, the economy as a whole is still very weak. With a per capita income in 1983 around \$260, China is ranked among the world's poorest coun-

tries and must overcome many bottlenecks, constraints and obstacles.

Its foremost difficulty is the critical shortage of capital. Since 1979, the Chinese state budget has operated at a deficit; the government not only has had to raise enormous funds for capital investments, but must also bear the heavy burden of financial subsidization. Because of backward management, bureaucracy, and an irrational control system, one-fourth to one-third of the state enterprises operate at a loss. Subsidizing the deficit-ridden enterprises is a mounting financial burden. Recently, deficits increased markedly when the state raised price subsidies for farm products.

Between 1953 and 1981, the state had to invest 2.3 yuan in order to increase the gross output value of agriculture and industry by 1 yuan. Based on the past capital/output ratio, to quadruple the gross output value of agriculture and industry in two decades (as stipulated in the party's long-term plan) will require total investments of 4,800 billion yuan (\$2,400 billion), with an average of 240 billion yuan (\$120 billion) per year. This is about 40 percent of China's current GNP (gross national product), a ratio too great for the economy to support.¹ As Prime Minister Zhao Ziyang indicated in his May 15, 1984, report to the second session of the sixth National People's Congress: "We are faced with the task of carrying out large-scale construction, but we are short of funds. This is a fairly big contradiction, an outstanding problem in China's economic development."²

Second, the industrialization program is severely hamstrung by the shortage of energy supplies and transport facilities. During the past five years, while the industrial output growth rate averaged 7.2 percent, the supply of energy rose by only 2.5 percent per year. Today, the country is short of electricity, which idles between 20 and 30 percent of industrial capacity. The inadequate traffic capacity of many important railway sections in the coastal areas also holds up the transport of huge quantities of coal, cement and raw materials.

Third, the bulk of China's 400,000 state enterprises are equipped with outdated machinery and have acquired backward technology. Many of the machine tools are products of the 1950's and consume a great deal of energy. Although China's energy consumption is equal to that of Japan's, its gross domestic output is only one-fourth of Japan's. The machine-building industry continues to manufacture "antique" machines. Sixty percent of the 28,000 machines and electric machines supplying the domestic market are outdated. There are now more than 200,000 industrial boilers, consuming a total of 200 million tons of coal a year. Some 60,000 boilers with less than 40 percent thermal efficiency are still in service.³ Without a thorough technical transformation of China's 400,000 existing enterprises, there will be no significant improvement in energy conservation and no prospect for accelerating economic growth.

Fourth, the mix of industrial products does not mesh

¹For example, total capital investment for 1984 is only 94 billion yuan, less than one-half the required investment.

²*Beijing Review*, no. 24 (June 11, 1984).

³Li Gonglin, "Acceleration of Renovation for Fixed Assets is the Basic Way to Promote Labor Productivity in Existing Enterprises," *Nanjing Daxue Xuebao* (Journal of Nanking University), no. 1 (1980), p. 38.

with domestic or international demand. Unwanted products of inferior quality are turned out by backward, small factories and are piled up in warehouses across the country. They not only waste tremendous amounts of raw materials and energy but also, in some sense, drain raw materials from advanced plants in industrial centers.

In the rural areas, new, complex problems relating to land utilization, commodities circulation and income distribution are emerging. Under the present contract system, all land is broken into small parcels. Each household receives at least 10 pieces of land of varying quality to avoid the concentration of good land among a few households. The fragmentation of land prevents large-scale irrigation, mechanization and the adoption of new technology. Moreover, before 1984, land was contracted to each household for a period of only 3 years. After three years, the contracted land could be slated for reallocation. The short tenure discouraged peasants from making long-term plans. Many have resorted to exploitative methods to reap maximum short-term gains by neglecting the preservation of soil fertility. If the limitation continues, the fertility of the land will quickly erode.

The development of specialized households, which holds the key for transforming China's rural areas from a self-sufficient, or semi-self-sufficient economy to commercial production, also faces various obstacles. For years, procurement of farm products has been the function of a state monopoly; peasants produced only what the state planner demanded. In recent years, as millions of households have become engaged in cash crops and sideline occupations, inadequate circulation channels (the legacy of state monopoly) have impeded the purchase of farm products and the transport of industrial products to rural markets. Peasants must stand in long lines to sell their products. Some must travel long distances to sell their crops. Millions of tons of vegetables, fruits, and other perishable goods rot, causing enormous waste.

Specialized households have also been spoiled by rural cadres. Many Chinese have regarded specialized households as an exploiting class, seeing "all entrepreneurs as profiteers." Because of this, specialized households have suffered from various kinds of malfeasance, like breach of contract by state companies, blackmailing, and open cheating by other peasants. All these problems have impeded the growth of specialized households.⁴

Since 1983, however, the Chinese authorities have suggested several reforms, in effect appealing to the self-interest of individuals and foreign businessmen as a means to mobilize domestic savings and attract foreign capital.

With this new approach, the party and the government have issued many circulars to encourage peasants, peddlers and foreigners to invest, make money, and

become rich. Early in 1984, the Chinese Communist party's Central Committee issued a "Circular on Rural Work in 1984," which affirmed the rural policies of the last two years and formulated new policies. To stabilize and improve the responsibility system, land contracts have been extended from 3 to 15 years. Peasants are encouraged to invest their own savings in the land to improve the soil and to run various rural enterprises. A network serving commodity production will be established to satisfy the peasants' demand for agricultural inputs, sales, transportation, and market information. As specialized production develops, more peasants will separate themselves from farming and engage in fishery, livestock breeding, and forestry, or turn to small industry and service trades. It is anticipated that by 1985, one-third of the rural population may shift from farming to other occupations, signaling a fundamental change in the Chinese rural economy.

Corresponding to the decentralization of the countryside, steps have also been taken to rally the individual economy in urban areas. In the pre-1949 era, handicrafts and small businesses were two major components of the Chinese economy. In 1954, on the eve of the large-scale socialization, handicrafts accounted for 17.4 percent of the country's gross output value; about 20 million people were engaged in that business. The bulk of the individual craftsmen were integrated into producers' cooperatives during the socialization drive in 1955–1957. They were then transformed into state-local factories in the Great Leap Forward (1958–1960). Similar procedures were effected in the transformation of several million small businesses. By 1978, there were only 140,000 individual craftsmen and peddlers. The hasty transformation to socialism not only destroyed one of the most colorful heritages of Chinese culture but also closed the employment door on millions of independent laborers.

In recent years, when the urban unemployment problem surfaced, the Chinese authorities regarded individual handicrafts and small businesses as legitimate outlets for urban unemployment. New policies were adopted to revive individual workshops or stores. In July, 1981, the State Council issued three documents that encouraged the urban unemployed to engage in individual business. The terms of organization, employment and operation have been continuously changed in favor of the owners. At first, only family-type businesses were permitted. Later, each workshop or store was allowed to hire no more than 5 outside helpers or apprentices. More recently, the number of outside helpers allowed has increased to 7 and there are proposals to increase the number to 20. Individual handicrafts and businesses are also allowed to form joint ventures for large-scale operations in production, processing, marketing, long-distance transport and even wholesale business.

With the blessing of the government, businesses run by individual households have increased markedly. By the end of 1983, there were 5.8 million units employing

⁴See Commentator's article, "Loudly Appeal to the Public for Specialized Households," *Jingji Ribao*, March 20, 1984, p. 1.

7.5 million people. By the end of 1985, the number is expected to expand to 20 million, approaching the 1954 record.

THE SEZ'S

Strenuous efforts have also been made to attract capital. Discarding the long-standing "self-reliance" doctrine, the new leadership is enthusiastic about encouraging foreign capital. Thus in 1980, four special economic zones (SEZ's), similar to the export-processing zones in Taiwan, were set up in the two South China provinces of Guangdong and Fujian. These SEZ's act as "islands" or "enclaves" for overseas investments. Plants set up in the zones enjoy preferential treatment. Of the four SEZ's, Shenzhen's achievements are particularly inspiring. Located at the border of Kowloon, Shenzhen has been transformed from a poor, backward small town into a new industrial city. In the last five years, the total industrial output value and revenue in Shenzhen have shown an elevenfold increase over 1978, the year before the establishment of the SEZ's. During the same period, Shenzhen absorbed \$850 million in outside funds; 65 percent of this money came from foreign and Hong Kong capital.

The success of the Shenzhen SEZ has inspired the opening of other coastal cities to foreign investment. In a novel move in April, 1984, the Chinese government announced that an additional 14 Chinese coastal cities will be opened to the outside world: Dalian, Qinhuangdao and Tianjin in the north; Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo and Wenzhou in the east; and Fuzhou, Guangzhou, Zhanjiang and Beihai in the south. Together with the four SEZ's of Shenzhen, Zhuhai, Shantou and Xiamen, almost all treaty ports are now open to foreign investors. Following the opening of the 14 coastal cities, the Chinese authorities announced a series of rulings to induce foreign investment: (1) foreign investors who supply China with advanced technology and equipment will be allowed to sell a portion of their products in China's domestic market; (2) foreigners will be allowed to operate factories and businesses using only foreign funds; and (3) foreign investors will pay an income tax of only 15 percent if they produce high technology goods or if their investment exceeds \$30 million.⁵

Further steps will be taken to streamline the 400,000 state enterprises. According to Prime Minister Zhao, the root of the chaotic conditions in the urban economy is the fact that "everybody is eating from the same big pot." There are two basic problems. Under the present system, no distinction has been made between well-run and badly run enterprises. Enterprises that make money must turn over their profits to the state, while those operating at a loss can always ask for state subsidies. In addition, there is no distinction between employees who do more work

and those who do less, since all of them receive (more or less) the same amount. To overcome these defects, several reforms are being put into effect in 1984.

First, beginning in the fourth quarter of 1984, all state enterprises will pay taxes instead of turning over their profits to the state, and they will retain all profits after taxes. Enterprises will also assume independent accounting power and will be responsible for their own profits and losses.

Second, limits on bonuses for individual workers will be lifted and above-quota bonuses will be taxed. Bonuses will be issued to workers according to the amount of work done; floating wages and piecework rates will also be adopted.

Third, enterprises will have greater decision-making power. They will be able to arrange and increase production, provided that they meet state plans and fulfill production contracts signed with the state. They will also be able to decide on product sales, the use of funds, personnel, and labor-management relations.

Fourth, there will be a complete restructuring of the management system for the building industry. A system of investment responsibility will be instituted, and all construction projects will be assigned to building units through public bidding, thus encouraging competition and preventing monopolies.

Fifth, state commercial enterprises will give up some business lines so collective units and individual businesses can participate to form multiple channels for commodity circulations.

These measures constitute a sweeping reform of both the rural and the urban economy, with two motives: to attract foreign and domestic capital and to revitalize the slackened urban economy.

THE DILEMMA

While the proposed reforms signify the new leadership's concerted efforts to get rid of the Soviet model as well as many sacrosanct leftist principles and institutions, there is no guarantee that the reforms will be carried out.

First, all the reforms have affected vested interests in the party and the state bureaucracy and have aroused resistance from a broad spectrum, including the Maoist radicals, the privileged bureaucrats, and the army. The radicals condemned the reforms as betraying Mao's socialist ethics of egalitarianism, job security and proletarian dictatorship. They equate market regulation and

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⁵*China Daily* (Beijing), June 8, 1984, p. 1.

"Trade negotiations with the Chinese are difficult and time-consuming. Beijing will probably not make many major purchases without the inclusion of low-interest financing, countertrade, transfer of technology and/or similar arrangements as part of the contract. Thus far, the Japanese have been more successful in making such arrangements than American and European traders."

China's Foreign Trade Policies

BY S. H. CHOU

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ACCORDING to a recent official announcement, the total volume of China's two-way trade in 1984 is expected to be five percent lower than its 1983 volume.¹ While the official communiqué did not give a breakdown of the reduction, some experts believe that it will involve mostly exports.

Several possible explanations have been suggested for the export curtailment. China's reserve of gold and foreign exchange, amounting to \$19.1 billion at the end of 1983, is one of the largest official reserves in the world. In order to maintain its eligibility for low interest loans from IMF (the International Monetary Fund) and World Bank organizations, the government must slow down its reserve accumulation. Inflationary pressure on the domestic economy also makes it desirable for Beijing to divert some of its scarce resources from export to domestic consumption.

Moreover, new regulations announced in the spring of 1984 reestablished the centralized supervision of international trade, including the issuance of export licenses, the approval of trade agreements, the establishment of export prices, and the setting of export quotas. In April, 1984, 30 commodities (including cotton yarn and cotton piece goods) were added to the list of about 100 items that require export licenses. The move reversed the trend of decentralization pursued during 1980–1983 and will probably slow the growth of China's foreign trade.

Some projected reductions could also come from import reductions. Many of China's imports in the early 1980's were ordered in the 1970's. During the early 1980's, the planned expansion of the economy was scaled down and, consequently, fewer purchase agreements

were signed. The retrenchment, in turn, may slow imports during the mid-1980's.

TRADE WITH SOVIET BLOC COUNTRIES

During the 1950's, the Soviet Union dominated China's foreign trade.² Soviet loans and aid, amounting to about \$1.5 billion, financed the large-scale shipments of machinery and equipment (including complete plants) that were instrumental in China's rapid industrialization during that decade. Sino-Soviet trade peaked in 1959, when total two-way trade reached \$2.1 billion. After that year, the volume of trade between the two countries declined steadily, plummeting to a low of \$47.2 million in 1970. Sino-Soviet trade continued at a low level in the 1970's and did not expand again until the early 1980's. The total of the two-way trade rose from about \$50 million in 1980 to about \$800 million in 1983, and it could exceed \$1 billion in 1984 should the new Sino-Soviet trade agreement be fully implemented.³

In the 1950's, the Soviet Union accounted for more than one-half of China's total imports. In 1959, when Sino-Soviet trade reached its zenith, China rivaled East Germany as the Soviet Union's principal trade partner. In that year, China supplied one-fifth of the Soviet Union's total imports, including two-thirds of its food imports and three-fourths of its textile imports. During 1950–1956, China had excess imports from the Soviet Union, reflecting the heavy inflow of capital goods to China financed by Soviet loans. From 1957 to 1965, there were excess exports from China to the Soviet Union to repay Soviet credits. The repayment was completed in 1965.

After the early 1960's, the deterioration of Sino-Soviet relations and the termination of Soviet aid made it necessary for China to reorient its policy in favor of trade with the West. Currently, more than 90 percent of its trade is with non-Communist countries, both the developed and the less developed. Since the mid-1970's, Japan, Hong Kong and the United States have been China's major partners. Currently these three countries, along with West Germany, account for about 50 percent of China's total trade.⁴

In trading with non-Communist countries, China has

¹See "Report of the 1984 Economic Plan," *Beijing Review*, May 28, 1984, and *The Wall Street Journal*, May 18, 1984.

²Machinery, automobiles, steel and timber have been the leading Soviet exports to China, while food, textile products, metal ores and concentrates have been major exports from China.

³*The Asian Wall Street Journal*, February 20, 1984.

⁴Romania and East Germany have also had significant trade relations with China in the last decade. China's demand for Romanian oil equipment and imports of machinery and equipment from East Germany account for the large trade volume with these countries.

relied on surpluses earned from less developed countries to cover deficits accrued in its trade with developed countries. Southeast Asia, particularly Hong Kong, has been the primary source of the trade surplus. Since 1980, earnings from trade with countries in the Middle East have also been substantial.

Foodstuffs, textile products, and petroleum have been China's leading exports. Until the mid-1970's, food was the major export; since then textile products have taken the lead. Petroleum exports, which were virtually nonexistent before 1970, have emerged as a major Chinese export; they are China's second major export, with textile products and foodstuffs ranking second and third, respectively.

Grain, textile fibers, iron, steel, and machinery and equipment have been China's leading imports. For most of the years since 1970, machinery and equipment were China's leading imports, followed by steel. Nineteen seventy-three, 1978, and 1979 were the only years in which the value of annual steel imports exceeded that of machinery and equipment. Grain imports usually ranked behind machinery and steel. Only in 1974 and 1982 did the value of grain imports exceed that of steel. The value of fiber imports was invariably lower than that of grain imports.

Since the late 1970's, machinery and equipment have accounted for about one-fourth of China's total imports, with Japan the leading supplier. West Germany, Hong Kong, and the United States have also been important exporters but their market shares fell far short of those of Japan. During 1979–1983, Japan accounted for 30 to 50 percent of China's total machinery imports, West Germany, 10 to 18 percent, the United States, 6 to 14 percent, and Hong Kong, 3 to 14 percent.

The total value of China's machinery imports peaked in 1980 at \$5.4 billion, and dropped to about \$3.3 billion in 1982 as China cut back on capital investment. Despite this cutback, Hong Kong steadily increased its market share of machinery exports to China from 3.3 percent in 1979 to 14.1 percent in 1982, possibly reflecting the active participation of Hong Kong investors in the industrial development of the Shenzhen Special Economic Zone (or SEZ).

Because of the needs of its modernization program, China will continue its machinery imports. However, instead of ordering complete plants, Beijing will probably be more selective in its acquisitions and not import what could be produced domestically. Instead of outright

purchases, China will probably seek concessionary financing, countertrade, technology transfer and similar arrangements as conditions for the purchase of major capital goods. Much of the equipment used for offshore oil explorations, for example, is being provided by participating foreign companies. The proposed nuclear power plants in south China will probably be financed by concessionary loans and by the sale to Hong Kong of electric power generated by the plants. Many new tourist hotels are being built as joint ventures with equity participation by foreign investors. Commercial aircraft have been leased, with Western banks providing the bulk of the financing. The cost of Western equipment for new coal mines and related infrastructure (like port facilities for coal shipment and railways linking coal mines and the ports) is to be paid, at least in part, by earnings from coal exports.

While the Soviet Union (in the 1950's) and West European countries (in the 1960's) were the primary suppliers of China's steel imports, Japan dominated the steel market in China in the 1970's and the early 1980's. About one-half the steel that China imported during 1977–1983 came from Japan. West Germany, the second largest supplier, accounted for approximately another tenth of steel imports. Steel imports from the United States and Hong Kong have been negligible.

Because they were major contractors in the construction of the steel center at Baoshan (in Shanghai), port facilities at Qinhuangdao (near Beijing) and Shijuisuo (in Shandong province), and railways linking coal mines in Shanxi province, Japanese firms have become integral to China's steel industry. And the exports of steel to China have been important to Japan's steel industry; in 1983, China imported 9.9 percent of Japan's total steel exports to become the leading customer of the Japanese industry.*

PETROLEUM

Until the early 1960's, China was a net importer of crude oil, primarily from the Soviet Union. By 1962, China was self-sufficient in oil. Thereafter, it began to export petroleum. In 1983, China's crude oil production reached 106 million metric tons, of which about 15 million tons were exported, mostly to Japan. During 1981–1983, petroleum exports generated annually more than \$4 billion in foreign exchange earnings for China. China has also been exporting oil (mostly petroleum products) to Hong Kong and to the United States.

China's petroleum export future depends primarily on production. Production at Daqing, which accounts for about one-half of China's current oil production, has leveled off since 1978, so oil production will probably not expand soon. However, recent official reports indicate that oil production at Shengli (in Shandong province) and Zhong-yuan (in Henan province) is expected to expand and total oil production is expected to increase about five percent annually for the next seven years.⁵ In

*Editor's note: For more information see the article by Chae-Jin Lee, "Japanese Policy Toward China," *Current History*, November, 1983.

⁵According to a recent Chinese report, China's oil production is expected to reach 106 million metric tons in 1984. About 50 million metric tons will come from Daqing, 20 million from Shengli, and 5 million from Zhong-yuan. These three oilfields will probably account for about 70 percent of the total production. See "New Advances in Oil Industry," and "The Report of the 1984 Economic Plan," *Beijing Review*, May 28, 1984.

addition, Beijing is counting heavily on offshore explorations along the Chinese coast. Scores of multinational oil companies have already begun these explorations, but their results will probably not be known before the end of the decade.

FOODSTUFFS

During the 1950's, China was a net exporter of grains, especially rice, of which it was the world's leading supplier. Following the fiasco of the Great Leap Forward in the early 1960's, which resulted in inadequate food supplies in China, rice exports plummeted and grain imports (mainly wheat) surged, sending China on its present course as net importer of grains. Rice exports have represented a very small fraction of China's domestic production, but its wheat imports often have amounted to 20 to 30 percent of domestic production.

In physical terms, China's wheat imports rose from about 3.8 million metric tons in 1961 to about 11 million metric tons in 1980, before plummeting to 6.5 million metric tons in 1983. In the meantime, China's own wheat production rose from 55.2 million metric tons in 1980 to 81.4 million metric tons in 1983.⁶ The sharp increase in domestic production, resulting mainly from improved productivity, has been an important factor in the reduction of China's wheat imports.

During 1980–1982, wheat was a leading United States export to China, worth more than \$1 billion a year. However, only \$183 million in wheat was shipped in the first nine months of 1983, sharply reducing the United States market share in a dwindling market. Reduced purchases of United States wheat were made possible partly by the expansion of domestic production in China, and partly by shifting purchases to other wheat suppliers in retaliation for United States restrictions on textile imports from China.

If the Chinese purchase of American wheat is maintained at the 6-million-metric-ton level, as was specified in an earlier agreement, China, like the Soviet Union, will remain a major market for American wheat, at least for the duration of the agreement. In the meantime, if China's agricultural productivity continues to improve, the prospect for United States–China trade in grains may not be so rosy as it appeared a few years ago.

Other changes have occurred in the composition of China's food exports in the last three decades. In the 1950's grain was the leading food export from China. This, however, shifted. In the late 1960's and the early 1970's meat and marine products surpassed grain as the leading Chinese food export. By the late 1970's, fruit and vegetables almost matched the meat and marine

products export level, while grain was relegated to third place. Because they were perishable, meat and marine products were not usually shipped to destinations farther than neighboring countries like Hong Kong and Macao. But there were fewer problems in shipping fruits and vegetables, which has led to their expansion. Increased exports of fruits and vegetables have also been made possible by the increase in farm productivity following the implementation of the responsibility system on China's farms. Moreover, since fruit and vegetables are not considered a staple food in the Chinese diet, there is less resistance to diverting these products from the domestic market to export.

Available statistics show two conflicting trends in China's food trade. First, wheat imports to China have continued despite the rapid growth of its domestic production. Second, China continues to export rice, while importing a large amount of wheat. Two possible explanations may be offered. One is that there is a rising consumer demand for food as a result of the government's new policy for improving people's living standards. The other explanation sees the export of high-priced rice in exchange for relatively cheap wheat from abroad as part of Beijing's policy to augment the nation's grain supply. A comparison of unit values (i.e., the value of input or export divided by quantity of input or export) shows that rice usually costs twice as much as wheat. Because of this price differential, exchanging rice for wheat could augment China's grain supply at a minimal cost. During 1972–1975, for example, China exported 11.4 million metric tons of rice with total earnings of about \$2.9 billion and imported 21.4 million tons of wheat at a cost of about \$3.1 billion. Thus the rice-for-wheat swap provided China with an additional grain supply of 8.4 million metric tons at virtually no cost.⁷

TEXTILE FIBERS AND PRODUCTS

Textile fibers and products play an important role in China's foreign trade. Cotton and synthetic fibers are China's major textile imports, while fabrics and clothing are its leading textile exports. The fiber imports (including both cotton and synthetic fibers) amounted to \$1.14 billion in 1979, \$2.1 billion in 1980, \$2.26 billion in 1981, but only \$1.44 billion in 1982. In physical terms, China's cotton imports rose from 177,000 metric tons in 1975 to a peak of 897,600 metric tons in 1980, before plummeting to 520,000 in 1981 and 470,000 in 1982. While the curtailment of cotton imports from the United States has often been construed as retaliation for American restrictions on Chinese textile exports, the cutback would not be possible without the rapid expansion of China's own cotton production, which rose from 2.1 million metric tons in 1965 and 2.7 million metric tons in 1980 to 4.6 million metric tons in 1983.⁸ The increment in domestic production was therefore sufficient to cover the cutbacks in China's cotton imports.

A similar situation exists in the supply of synthetic

⁶Based on statistics given in "Communiqué on Fulfillment of China's 1983 National Economic Plan," *Beijing Review*, no. 21 (May 14, 1984).

⁷For detailed explanations, see S.H. Chou, "The Pattern of China's Trade," *Current History*, September, 1978, p. 78.

⁸"Communiqué on Fulfillment of China's 1983 Plan," *op. cit.*

fibers. Domestic production reached 541,000 metric tons in 1983, compared with 450,000 metric tons in 1980. With the completion of new plants purchased in the 1970's, it is expected that the domestic production of synthetic fibers will reach 780,000 metric tons by 1985.⁹ If that production level is met, China then could become self-sufficient in supplying these fibers.

During the period 1978–1982, the United States was China's primary supplier of textile fiber imports. Its market share was 23.8 percent in 1978 and 42.4 percent in 1980. It dropped to 18 percent in 1982 and was further reduced to 2.8 percent in 1983. The corresponding shares for Japan were 22.9 percent in 1978, about 8 percent in 1982 and 5 percent in 1983. Cotton dominated United States fiber exports to China, while man-made fibers accounted for virtually all China's fiber imports from Japan. During 1979–1980, Chinese purchases accounted for 25 percent of all United States cotton exports. From the mid-1960's through 1983, the value of China's textile exports increased approximately tenfold, but their percentage share in China's total exports, ranging from 25 percent to 28 percent, remained fairly stable.

Chinese textile exports consist of three components: fibers, yarn and fabrics, and clothing. During the last two decades, however, the importance of clothing exports has increased, while exports of fibers have declined. Because of its high value added and its ability to generate more foreign exchange revenue than semimanufactured textile products, clothing has apparently been China's preferred textile export. The emphasis on clothing is particularly obvious in China's trade with the United States and West Germany. In the first nine months of 1983, clothing accounted for 82.9 percent of China's textile exports to the United States, and 62.7 percent of the textile exports to West Germany.

Hong Kong has been the leading market for China's textile products. During 1979–1983, 25 to 33 percent of China's textile exports went to Hong Kong. During the same period, China's share of the Japanese market dwindled from 14.9 percent to 8.3 percent, while the United States market share rose from 5.1 percent to 16.1 percent. The West German market was negligible. In the first nine months of 1983, more than half of China's textile exports went to Hong Kong, Japan and the United States.

A comparison of the import and export statistics shows the following trend in China's textile trade with Hong Kong, Japan and the United States: the value of China's annual textile exports to each country usually exceeded that of the corresponding textile imports. The textile trade between the United States and China in 1979, 1980 and 1981 was the only exception, with the balance in favor of the United States.

A key innovation in China's foreign economic policy is

the establishment of special economic zones (SEZ). Four such zones are now in operation: Shenzhen, Zhuhai, Shantao, and Xiamen (all in south China). Fourteen other coastal cities may be added to the list of similar zones to provide a favorable environment for foreign trade and investment. Of the four SEZ's now in operation, Shenzhen, adjoining the northern border of Hong Kong, has been the most important.

SEZ's have several important functions. First, they represent an experiment that allows a "free" market economy to work in the framework of centrally planned socialism. It is hoped that the experiment, if successful, will favorably influence people in Hong Kong and Taiwan toward Beijing's socioeconomic policies. Second, through foreign investments, tourism and expanded exports, Shenzhen and other SEZ's are expected to add billions of dollars to China's foreign exchange coffer. Besides the usual arrangements (countertrade, export processing), the Shenzhen SEZ has enabled China to "export" labor and land, particularly to Hong Kong investors; this is an arrangement that would not be conceivable otherwise. Through various tax concessions and incentives, SEZ's are expected to facilitate the inflow of foreign technology as well as foreign capital.

To some extent, the SEZ at Shenzhen was also designed to serve offshore oil exploration in the South China Sea. Harbors, railways, highways, telecommunication services, and business and residential housing facilities are being developed to accommodate the special needs of oil companies. Therefore, successful offshore oil fields in the region could augment China's petroleum exports and provide a great boon to the economy of the Hong Kong-Shenzhen region.

CONCLUSION

Trade negotiations with the Chinese are difficult and time-consuming. Beijing will probably not make many major purchases without the inclusion of low-interest financing, countertrade, transfer of technology or similar arrangements as a part of the contract. Thus far, the Japanese have been more successful in making such arrangements than American and European traders. Their long experience in trading companies, the low interest costs in their domestic market, the undervaluation of the Japanese yen, and geographical proximity to China have all worked in favor of Japanese exporters. In the last five years, the Japanese granted China \$5.5 billion in low-interest loans, including a \$2-billion credit offered by Prime Minister Yasuhiro Nakasone during his recent visit to China. These credits have helped Japanese companies to secure business in developing or constructing Chinese ports, railroads, oil fields, coal mines, steel

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⁹*Chinese Economic Yearbook for 1983* (in Chinese) (Beijing), pp. 11–88.

"Liu Shaoqi, Deng Xiaoping and their like-minded colleagues did not want to restore capitalism in China because they believed capitalism was preferable to socialism. Rather, they sought to implement selected policies characteristic of capitalist economic systems because they believed that these policies would serve as a means toward their actual goal—rapidly modernizing the Chinese economy and consequently enhancing the standard of living of the Chinese people."

Redefining Chinese Socialism

BY JOHN BRYAN STARR

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SINCE his death in 1976, Chairman Mao Zedong's successors have wrought substantial changes, both in the practice of guiding the economic, political and social development of China and in the theory on which that practice is based.¹

Mao's version of socialism was based on four components. First and most fundamental, under a socialist system the ownership of the means of production is in the hands of the state or of collectivities of individuals. Second, in a socialist system labor power must not be exploited; in order to avoid exploitation, only the state or the collective is permitted to employ individuals' labor power. Third, the aim of the socialist system is to eliminate, insofar as it is possible, the "great differences" that divide society. Examples of these differences include those between rich and poor, urban and rural, and mental and manual labor. Socialism, for Mao, was a force for creating an egalitarian social system. Fourth, particularly in his latter years, Mao came to emphasize the idea that a socialist system must be self-reliant or autarkic; the system must be able to function independent of the world economy, and its constituent elements must also be self-sufficient and independent of one another to the maximum extent possible. Mao's goal was to create in China a publicly owned, nonexploitative, egalitarian, self-reliant economic, political and social system.

This definition of socialism and the practices that flowed from it were partly framed in reaction to what

Mao saw as the conflicting views of some of his colleagues during the years leading up to the Great Leap Forward in 1958. It was in the process of criticizing those with whom he disagreed that Mao came to articulate his definition of socialism and to formulate the policies that he believed would achieve and maintain a socialist system in China. Some of the individuals who were responsible for articulating and implementing a different view of socialist development—Deng Xiaoping most important among them—eventually proved successful in their effort to succeed Mao after his death. Indeed, many of the ideas and policies currently being implemented in China were formulated, partially put into practice and subsequently criticized in the 1960's.

Mao's criticisms of those with whom he came to disagree were clearly influenced by personal and political considerations. Subsequent to his retreat to the "second line" after the Great Leap Forward, Mao found himself unable to affect the day-to-day decision making of the Chinese Communist party. Equally important, he would have little influence in choosing his successor. Thus, Mao's attack on First Vice Chairman Liu Shaoqi, Deng Xiaoping and others was actually a struggle for power, even a personal vendetta. To interpret his attacks exclusively in personal terms, however, is to ignore vital questions of principle that separated Mao from those he criticized.

Mao charged that those with whom he disagreed in the initial stages of the Cultural Revolution were attempting to "restore capitalism" in China.² He accused them of pursuing policies that threatened to undermine each of the four elements of socialism. Beginning in 1962, public ownership of the means of production was being undermined by the introduction of the "responsibility system" in agriculture, a system implemented in an effort to increase agricultural productivity and thereby to correct the effects of the "three bad years" brought on by the Great Leap.³ Under its provisions, authority to make economic decisions in the agricultural sector was transferred from the collective entities established during the Great Leap Forward to individual peasant households. At the same time, a limited expansion of the private sec-

¹See the chapter "On Political Development," in John Bryan Starr, *Continuing the Revolution: The Political Thought of Mao* (Princeton: Princeton University Press, 1979), pp. 275–308.

²Mao's explication of what he saw as the "capitalist road" in China's economic, political and social development was first set forth in a series of articles written in 1963–1964 that attacked Yugoslavia as a surrogate of the Soviet Union and then attacked the Soviet Union as a surrogate of the "capitalist roaders" in the Chinese Communist party. See "Is Yugoslavia a Socialist Country?" *Peking Review* (hereafter, *PR*), vol. 6, no. 39 (1963), pp. 14–27; and "On Khrushchev's Phoney Communism and its Historical Lessons for the World," *PR*, vol. 7, no. 29 (1964), pp. 7–28.

³See Richard Baum, *Prelude to Revolution: Mao, the Party and the Peasant Question, 1962–66* (New York: Columbia University Press, 1975), pp. 160 and *passim*.

tor was permitted in order to increase the distribution of agricultural and consumer products in urban and rural communities. In Mao's critique of those with whom he differed, these practices were defined as capitalist in nature, departures from the "socialist road."

As regards exploitation, Mao focused on his opponents' reliance on the bureaucracy to implement their policies. Because of the power, prestige and perquisites accorded to bureaucrats, he saw them as a new and exploitative class in Chinese society functioning, he argued, in much the same way that the bourgeoisie functions in a capitalist system.⁴

Mao also saw the actions of his opponents as working toward the widening, rather than the narrowing, of the "great differences" in Chinese society. Monetary incentives, employed to increase worker productivity in both the agricultural and the industrial sectors, were increasing the gap between the rich and poor. Emphasis on industrial development and a failure to implement the practice of *xiafang* or "downward transfer" of urban residents into rural communities were widening the gap between city and countryside. Fostering science and technology as a means of modernizing society, and thereby, in effect, elevating mental over manual labor, contributed to the isolation of intellectuals from workers.

Finally, Mao accused his opponents of implementing policies in the early 1960's that, in the interest of economic efficiency, reduced the level of the domestic and international self-reliance of the Chinese economy. They had, in short, undermined each element of the socialist system and Mao chose to interpret their actions as an attempt to restore capitalism in China.

EVALUATING THE MAOIST CRITIQUE

Twenty years later, Mao's critique can be more thoroughly evaluated. Since 1976, the Chinese Communist party has formulated its own view of the errors Mao committed beginning in the late 1950's; the party has released a limited amount of material documenting this view.⁵ Moreover, although Liu Shaoqi lost his life during the course of the Cultural Revolution, Deng Xiaoping survived Mao and eventually became the de facto decision-maker if not the titular leader of the Chinese government and party. Since 1978, Deng has re-

implemented most of the policies initiated during the period immediately preceding the Cultural Revolution and has extended their scope far beyond what was possible two decades earlier. As a result, there is a very different perspective on the purposes and practices of the "capitalist restoration" that Mao criticized.

In retrospect, Mao's critique of the "capitalist roaders" during the Cultural Revolution was correct in pinpointing the policy differences between Mao and his opponents—with two exceptions. First, Mao's charge that Deng and his colleagues favored the bureaucratic excesses typical of the pre-Cultural Revolution period seems to have been unfair. Deng's approach to the bureaucracy since Mao's death suggests that he understands the dysfunctional characteristics of a bloated bureaucracy that is divorced from its clientele because of its monopoly on power, prestige and perquisites. Unlike Mao, however, Deng has sought to correct these dysfunctional characteristics through bureaucratic reform rather than through the paralyzing "seizures of power" employed during the early stages of the Cultural Revolution.⁶

The second exception is somewhat paradoxical. Deng reintroduced the responsibility system and expanded it over the last 18 months in order to increase agricultural production rapidly through the use of a strong system of monetary incentives. Although this "capitalist" approach was unacceptable to Mao, it has had the effect of helping to achieve another of Mao's goals—reducing the difference in the standards of living of rural and urban residents. For the first time since the early 1950's, the phenomenon of the "rich" peasant is being praised in the Chinese press as an example of the benefits of the new system.⁷

Increases in peasant income are by no means equally spread across the Chinese countryside. Moreover, even the most affluent agricultural workers do not share in the security provided to state-employed urban workers, who receive retirement, health-care and education benefits. Nonetheless, the responsibility system is reducing the gap between urban and rural standards of living in China.

With these exceptions, Mao was correct in his assessment of the policy differences that separated him from his opponents; nonetheless, he may well have intentionally distorted their purposes. Liu Shaoqi, Deng Xiaoping and their like-minded colleagues did not want to restore capitalism in China because they believed capitalism was preferable to socialism. Rather, they sought to implement selected policies characteristic of capitalist economic systems because they believed that these policies would serve as a means toward their actual goal—rapidly modernizing the Chinese economy and consequently enhancing the standard of living of the Chinese people.

Mao could not criticize his opponents for wanting to modernize China and improve the standard of living of

⁴See Starr, *op. cit.*, pp. 129–187.

⁵See the "Resolution on Questions in Party History since 1949" (adopted by the sixth plenum of the eleventh Central Committee on June 29, 1981), in *Beijing Review* (hereafter *BR*), vol. 24, no. 27 (1981), pp. 10–39.

⁶Beginning in 1982 Deng undertook a program of "structural reform" that was designed to reduce the size of the bureaucracy, to retire from office elderly bureaucrats and to promote younger and more technically competent individuals. See Kenneth Lieberthal, "China in 1982: A Middling Course for the Middle Kingdom," *Asian Survey*, vol. 23, no. 1 (1983), pp. 26–37.

⁷See, for example, "Sample Survey of Peasant Household Incomes and Expenditures," *BR*, vol. 26, no. 43 (1983), p. 22f, and Jin Qi, "New Productive Forces in Rural Areas," *BR*, vol. 27, no. 9 (1984), p. 4.

the Chinese people, since it was his goal as well. However, he believed so strongly in the principles of egalitarianism and self-reliance that he was prepared to enforce a slower pace of economic development in order to realize these principles. Because of his legitimacy as the leader of the Chinese Communist revolution, Mao was able to make his policy preferences stick. On the other hand, because only Mao possessed this reservoir of legitimacy, no successor—even one who shared Mao's policy preferences—could have successfully persuaded the Chinese to accept a further delay in enjoying the fruits of their revolution in order to insure that these fruits were equally shared in a self-reliant society. Deng and his colleagues were thus obliged to pursue policies that would bring about a more rapid pace of development. Based on their experience before the Cultural Revolution, they would have chosen to do so in any event.

CRITICISM OF CURRENT THEORY AND PRACTICE

After watching these new policies for six years, there are those outside China and, presumably, those inside China, who once again see China's socialist system threatened. In Marxist terms, critics of Deng's policy directions believe that Chinese socialism is being undermined in both its "economic base" and in its cultural and ideological "superstructure."

Current practices that affect the economic base—the relations of production—are criticized for the use of the profit motive to increase worker productivity. The responsibility system has successfully used the profit motive to increase peasant productivity and agricultural output. Similarly, in industry, measures have been implemented to reward productive workers and enterprises and to penalize the unproductive. Workers in state enterprises once universally enjoyed the security of an "iron rice bowl," a system under which workers were all but totally immune to dismissal. This system of tenure is gradually being replaced on a limited scale by contracts renewable only when workers have proved their productivity. Similarly, enterprises are now presented with an array of fiscal rewards for increased productivity and penalties for the lack thereof.⁸

Critics also see a direct threat to the integrity of China's socialist economy in the reintroduction and expansion of a limited private sector. The responsibility system in the rural sector was accompanied by the reopening and expansion of the system of free markets for agricultural and sideline industry products. In the cities, private enterprises were allowed to open in order to expand the distribution of goods and services to the urban population and to help

alleviate the serious and growing problem of unemployment, particularly among young people. While restrictions have been imposed on both the number and the size of private enterprises, their growth over the last two years has been substantial.

For the profit motive to be effective, inequalities in Chinese society must be accepted and allowed to increase. A recent discussion of inequality in the Chinese press points out that

people are naturally all very different from each other. Some have the capability and desire to work hard. Some do not. Those who have that ability and desire naturally have the ability to earn a comfortable living. Perhaps they will become very well off through their hard labor. Those who do not work will not be able to, nor should they be able to earn as much as those who do . . . This is an unavoidable fact of the human condition. People are *not* all alike and to think they are alike is dangerous.⁹

In addition to the new domestic policies, China's leaders decided to implement an "open door" policy of interaction with the world economy. Pursuant to this policy, the Chinese government has begun to enact laws and regulations (often with the assistance of foreign economic and legal experts) that facilitate interaction between Chinese enterprises and American, Japanese and European capitalist firms. Moreover, the Chinese government has moved to create "special economic zones" and proposes to create "special administration regions" (in Hong Kong and Taiwan) where socialist economic regulations are to be either modified or suspended. Some critics believe that these measures involve an unacceptable relaxation of socialist principles.

In the sphere of the cultural and ideological "superstructure," recent theorists have been redefining Chinese Communist ideology in order to explain and guide current practice. Following Mao's edict to "seek truth from facts," his successors are formulating a new "truth" that accords with the changes in practice they have implemented since his death. In the process, a new and much more restricted definition of what constitutes socialism has emerged in China. In a speech he gave in November, 1979, Zhao Ziyang, now China's Prime Minister, offered what he referred to as a Marxist definition of socialism. A system is socialist, he said, if there is public ownership of the means of production and if workers are paid according to the work they perform. He made no mention of the principles of egalitarianism and self-reliance, which are central to Mao's definition of the term. Exemplifying what some would call his pragmatism, Zhao went on to say that "whatever system, structure, policy and method . . . are most effective in promoting the development of the productive forces" in China should be adopted.¹⁰

Zhao's socialism has been further attenuated through practices encouraged since he became Prime Minister. It is true that the primary means of production in the urban sector—that is, major industrial and commercial

⁸See Robert F. Dernberger, "China's New Economic Development: Problems and Prospects," and Anthony M. Tang, "Agriculture in China: Problems and Prospects," in Norton Ginsburg and Bernard A. Lalor, eds., *China: The 80s Era* (Boulder, Colorado: Westview Press, 1984), pp. 99–172.

⁹*People's Daily*, June 12, 1984.

¹⁰*BR*, vol. 22, no. 47 (1979), p. 3.

enterprises—remain under public ownership. Similarly, in the countryside, ownership of the land and of sideline industries technically remains in the hands of the collective. Moreover, there are restrictions on the growth of the private sector, especially controls on capital to finance new enterprises. Other regulations are designed to limit the reemergence of worker exploitation.

Private entrepreneurs are permitted to hire a maximum of seven workers, who are referred to as “apprentices” rather than employees. On the other hand, private and collective enterprises have come to occupy an increasingly important position in China’s urban economy, particularly in the commercial and service sectors. In the countryside, the fact that contracts for the use of land and sideline enterprises now run for a 15-year term and are alienable tends to blur the distinction between ownership and usage rights.

The approach taken by Deng and his colleagues toward the cultural and ideological superstructure has also come under attack because of the potentially adverse effect of foreign values that results from the substantial expansion of contact between Chinese and Westerners pursuant to the new “open door” policies. With several hundred Japanese, Europeans and Americans living in China as teachers and scholars, and with several thousand Chinese students and scholars living in Europe, Japan and the United States, the potential for supplanting socialist values with values derived from capitalist societies is seen by some in China as dangerously large. At the very least, this contact is seen as giving rise to a revival of the corruption that characterized China’s dealings with foreigners in an earlier era. At worst, it is seen as a potentially wholesale acceptance of Western “bourgeois” values on the part of those to whom responsibility for China’s economic, scientific and technological advancement has been entrusted.

This latter criticism is reminiscent in some ways of ideas that circulated in China at the end of the last century. Faced with Western military superiority, Chinese leaders accepted the necessity of importing Western equipment to strengthen them against further incursions on their sovereignty (the “Self-Strengthening Movement”). To safeguard China’s cultural integrity in the face of this influx of Western technology, a Confucian distinction between *ti* and *yong*—“essence” and “utility”—was revived. Importation of Western technology was acceptable because it was a practical solution to China’s problems. To import Western culture, however, was unacceptable, since it threatened the Chinese cultural essence. As Joseph Levenson has argued, this distinction, while useful as a short-term explanation of an awkward situation, was flawed by its failure to take account of the

fact that Western technology relied on the Western values from which it had developed. The two were inseparable and thus the former could not be imported and made to flourish without the latter.¹¹

Wary of this linkage, in his later years Mao’s solution to the perceived threat to socialist values from exposure to foreign cultures was, in effect, to close China off from the West and to accept as a necessary evil the retardation of Chinese science and technology.

DEFENDING THE CURRENT APPROACH

There are at least two ways to interpret the approach taken by Deng. The first interpretation argues that Deng and his colleagues are warding off the threat of spreading capitalism in much the same way that the earlier modernizers attempted to ward off Western values. Western science and technology are acceptable imports, but Western ideas must be excluded. Two recent campaigns give credence to this interpretation. In 1982, a campaign was launched against “economic crimes.” Descriptions of the criminals and their crimes in the Chinese press suggested that the emphasis was being placed on punishing those who took advantage of their opportunities to interact with foreigners to engage in corrupt behavior.

More recently, in October, 1983, Deng Xiaoping spoke at a plenary session of the party’s Central Committee, calling for the launching of a campaign against “spiritual pollution.” The campaign had four targets. The first was “obscene and vulgar things”—particularly books, magazines, tape recordings and videotapes from Hong Kong and Taiwan. The second target was personal aggrandizement under the new economic provisions. Mistaken ideology was listed as the third target. Discussions in the press during the course of the campaign made it clear that concepts drawn from the works of European neo-Marxists were deemed to be especially unacceptable—concepts like individualism, humanism and liberalism. The idea of alienation as articulated in the writings of Jean-Paul Sartre came under special attack, with the Chinese press arguing that it was inconceivable that a socialist system such as that in China could give rise to alienation on the part of its citizens. The final target was a catch-all category: “writings or speeches opposed to communism.”¹²

Those familiar with the earlier pendulum swings of Chinese reaction to the new “open door” policies feared that the campaign would be accompanied by a tightening of restrictions on foreigners residing in China and on their students and colleagues. In general this did not

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¹¹Joseph R. Levenson, *Confucian China and Its Modern Fate* (Berkeley: University of California Press, 1965), pp. iii, 110f.

¹²Deng’s speech has not been published. A commentary on the campaign by Deng Liqun, then head of the party’s propaganda department, is found in *BR*, vol. 26, no. 51 (1983), p. 4f.

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While China has attempted to modernize its military, "it is likely that the direction of change in the military will not be determined so much by professionalism in the Western sense as by the unique factors that have led to the present relationship between the PLA, the Communist party and the state."

China's Military in the 1980's

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THE ambitious Four Modernizations program on which China embarked in 1978 assigned lowest priority to the modernization of defense. Nonetheless, the past six years have brought significant changes to the country's military system. Very few areas have been untouched by the reforms, which have included changes in the size, organization, strategy, ideological orientation, and technological capabilities of the People's Liberation Army (PLA).¹

At the time of Chairman Mao Zedong's death in 1976, the Chinese military had certain advantages. With a membership of 4.75 million, the PLA was (and remains) the world's largest armed force. It also had a record of loyalty to Mao.² But the PLA was weaker relative to the military strength of China's neighbors than it had been during the 1950's. The weapons procurement and training programs of the intervening years had been strongly influenced by the dicta that wars are won by those with superior ideological credentials and that politics was more important to victory than technology.

Although Mao's immediate successor, Chairman Hua Guofeng, made a modest beginning toward improving China's defense capabilities, the guiding force of military modernization has been China's de facto leader, Deng Xiaoping. Rehabilitated in July, 1977, after the collapse of his left-wing opposition, Deng quickly resumed his position as the PLA's Chief of Staff. By the time Deng resigned his post in 1980 in favor of a protégé, Yang Dezhi, he had eclipsed Hua in terms of power, and in June, 1981, he assumed Hua's position as head of the Central Military Commission, the Chinese Communist party's highest organ of military administration. At the

same time, Hua relinquished his positions as head of the party and government.

Denying the leftist insistence on the primacy of people over weapons, Deng asked rhetorically why the world's best fighters should not be equipped with the world's best arms. In addition, he announced plans to reduce the military by a million people, to increase soldiers' literacy and technical skills, to lower the average age of the officer corps, to reform Maoist military strategy to cope with modern battlefield conditions, and to revamp training methods. An anticorruption drive was begun at the same time.

RESISTANCE TO CHANGE

In any given society, very few changes can be made without harming vested interests and arousing their resistance. Thus it is hardly surprising that in a society as large and as highly bureaucratized as China's, Deng's reforms aroused a great deal of resistance. Leftists resented what they felt to be the denigration of people in favor of military hardware and resisted attempts to repudiate a Maoist military legacy they believed had retained its validity. Soldiers who feared demobilization felt that they had given long, hard years of their lives in support of a party and a government that were planning to discard them ungratefully. Some staged antigovernment demonstrations; others resorted to looting and banditry.³ Civilians worried about the effects that a million former soldiers would have on an already glutted job market. Uneducated soldiers were uncomfortable with what they considered the haughty airs of those who were better educated. They also believed that years spent in the classroom had softened the better educated, making them unfit for the hardships of military life. Educated soldiers, many of whom had not wished to join the military, were frequent targets of ridicule and harassment. An active "back door" system immediately began to help people avoid Deng's regulations if they could not or would not conform to them.

The combined effects of this multifaceted resistance might well have defeated Deng's plans for military modernization. Instead, despite these obstacles, remarkable progress was made in reforming the military in the areas of organization, doctrine and weapons.

¹The term "People's Liberation Army" includes all services.

²With certain glaring exceptions. The best-known occurred in 1971, when Defense Minister Lin Biao, aided by other high-ranking military leaders, allegedly led a plot to assassinate Mao Zedong.

³The most celebrated example of this was the so-called "Disillusioned Army" or "Heartbreak Army" of unemployed, demobilized soldiers who formed guerrilla groups and staged raids on grain warehouses and other sources of needed supplies. See *Cheng Ming* (Hong Kong), December 1, 1981, in United States Department of Commerce, Foreign Broadcast Information Service, *Daily Report: China* (hereafter FBIS-Chi), December 14, 1981, pp. W/1-2.

ORGANIZATION

Organizational reforms have had two apparent aims: to produce a more efficient, combat-capable military force and to produce a military that is more responsive to Deng Xiaoping and his programs. A number of reforms served both purposes.

In 1978, several military academies reopened after a 12-year hiatus caused by the Cultural Revolution. A senior PLA commander publicly ridiculed the once sacred idea that armies could fight their best when commanded by ignorant officers of peasant background, and an official announcement made it clear that literacy and technical proficiency were important prerequisites to future advancement within the military.

New requirements stipulated that by the end of 1984 all commanders of warships, aircraft pilots and 70 percent of the officers from platoon commanders on up must have graduated from a military academy. Officers below the age of 40 were expected to raise their educational levels gradually to match those of senior middle school or technical college. Regardless of their level and years of service, officers who refused education or who flunked their examinations more than once would be demoted. Classes were also set up for illiterate and semi-illiterate soldiers.

Older soldiers—a number of whom were in the 70-to 90-year-old age bracket and physically infirm—were encouraged to retire. Generous inducements were offered, including retirement at full pay, increments based on length of service, and the designation of retirees as advisers to the armed forces.

At the same time, measures were taken to reduce the PLA's involvement in certain domestic functions. For example, in early 1983, the PLA was withdrawn from internal public security duties in major urban areas. At the same time, the People's Armed Police (PAP) was founded to take over this task, and to replace the PLA border guards and those military units that had provided security for government buildings, embassies and foreign residence compounds. Placed under the control of the Ministry of Public Security, the People's Armed Police was officially described as exercising the functions of the police while "it is like the PLA in that it is the people's own force, it enforces the PLA regulations, and it enjoys the same treatment which the PLA enjoys."⁴ Those who questioned the necessity of a separate force were told that

it was logical to differentiate the tasks of external and internal security; the creation of a People's Armed Police would make possible a smaller PLA whose training could thus concentrate on combat readiness; moreover, the PLA's tendency to act on behalf of police units had weakened the legal system.⁵ Interestingly, the new organization absorbed many recently demobilized troops.

Another domestic task removed from military jurisdiction was the administration of the nation's railways. As of January 1, 1984, the PLA's Railway Corps was placed under the control of the civilian Ministry of Railways. Heretofore, the Ministry and the PLA had shared responsibility for the maintenance and security of China's rail network.

The new state constitution ratified in December, 1982, provided for a government commission to administer the military apparatus. There were rumors in China that the party Military Commission (MC), which administered the military, would be abolished;⁶ this led foreign analysts to interpret the changes as indicative of the depoliticization of military control. However, the party MC has remained in existence, leading to speculation that opposition to its dissolution was simply too strong. The official explanation, which many observers do not find credible, is that there is a differentiation of labor between the PLA and the PAP that mirrors the differentiation of tasks between party and government.⁷

Many military personnel changes have occurred at the highest level. Since 1978, the defense minister, the head of the PLA General Staff, the head of the General Political Department (GPD), and the Commander of the Navy have all been replaced with appointees who had been associated with Deng Xiaoping. While the connection between removal from office and resistance to Deng's reforms can rarely be established with any certainty, the General Political Department example, about which we have more information than is normally the case, may be indicative of what happened in other instances. The incumbent head of the GPD, Wei Guoqing, was immediately removed after a newspaper and magazine under the control of the GPD were accused of left-wing ideological errors. The staffs of both made public self-criticisms, and the magazine was removed from GPD control.

Personnel changes have extended downward as well. Immediately below the central military level in the Chinese hierarchy are 11 military regions, which typically include two or more provinces. Ten of the 11 regional commanders have been replaced since 1980, with the newcomers presumably either younger than their predecessors or more supportive of Deng. Where the two principles have come into conflict, support of Deng seems more important, as exemplified by the resignation of 65-year-old Wu Kehua as commander of the Guangzhou (Canton) Military Region, on the grounds of old age. His successor, You Taizhong, was 72.

A majority of the military district commands, each one

⁴*Ban Yue Tan* (Beijing), no. 10 (May 25, 1983), in FBIS-Chi, July 13, 1983, p. K/15.

⁵*Ibid.*

⁶The rumors received confirmation at a high level when Politburo member Peng Chong told a visiting French parliamentary delegation that the party Military Commission would be abolished. Agence France Presse (AFP), Hong Kong, August 30, 1982, in FBIS-Chi, August 30, 1982, p. K/5.

⁷This speculation is summarized in V. G. Kulkarni, "A Retreat From Power," *Far Eastern Economic Review*, April 7, 1983, p. 20.

usually composed of a province-level unit, have also been reorganized. The sketchy statistical information provided in official announcements seems to suggest that the average age of commanders is lower, although the available data do not permit definitive conclusions. In mid-1983, PLA Chief of Staff Yang Dezhi reported that the average age of army commanders was 50, with divisional commanders averaging "about 45 years old" and regimental commanders less than 40.⁸ The total size of the army is expected to fall below four million by the end of 1984.⁹

DOCTRINE

PLA doctrine and training had been based for many years on Maoist theories of People's War. These theories leaned heavily on the actual experiences of the Chinese Communist party from the 1920's through the 1940's. Since the CCP had been an opposition rather than a ruling party, and since conditions then were far more primitive than they were during the 1970's and 1980's, certain parts of the Maoist military canon seemed irrelevant to China's future wars. Reformers questioned how much and in what ways Mao's theories should be modified.

The exact terms of the debate are murky, shrouded in allegorical tales and innuendo. It is, however, fairly certain that Deng Xiaoping, having twice been purged and humiliated, was in favor of a more thoroughgoing de-Maoification process than many other leaders. The controversy appears to have been sharpest from 1979 through early 1981, and was doubtless exacerbated by attempts to ascertain the reasons for the PLA's poor performance in Vietnam. The official media railed against "leftism in the military"; in a series of meetings officers were told that the "main trouble of a considerable number of cadres" stemmed from "their erroneous concept that to emancipate their minds means to chop off Chairman Mao's banner";¹⁰ China

could be defeated in battle if we cherished and retained outmoded concepts . . . we should apply Chairman Mao's thinking in a flexible way, emancipate our thinking, dare to

⁸"Chinese Army Chief of Staff Calls Troops 'More Effective,'" *Washington Post*, June 11, 1983, p. 7.

⁹As predicted by The International Institute for Strategic Studies, *The Military Balance: 1983/84* (London: IISS, 1983).

¹⁰Nanjing Radio, August 30, 1979, in FBIS-Chi, September 7, 1979, p. O/16.

¹¹Nanjing Radio, September 19, 1979, in FBIS-Chi, September 21, 1979, p. O/1.

¹²The text of Huang's speech was released by Xinhua (Beijing) on April 10, 1981. See FBIS-Chi, April 13, 1981, pp. K/6-18.

¹³Kunming Radio, April 22, 1982, in FBIS-Chi, April 26, 1982, p. Q/3.

¹⁴An English translation of Deng's *Selected Works* appears in United States Department of Commerce, Joint Publications Research Service (JPRS), no. 84651 (October 31, 1983), pp. 1-73.

¹⁵*Yunnan Ribao* (Yunnan Daily), August 17, 1983, in JPRS, no. 84508 (October 11, 1983), pp. 95-101.

¹⁶*Ibid.*, p. 101.

break away from old conventions, study the new situation, and solve new problems.¹¹

A compromise seems to have been reached in April, 1981, with the publication of a speech by Huang Kecheng, a senior PLA leader. Huang argued that Mao's advice had more than once saved the Red Army from annihilation and the Communist cause from extinction. These contributions could not be denied and should continue to be appreciated. Although Mao undoubtedly made serious mistakes in later years, Mao could not be held solely responsible for them since he (Huang) and other leaders did not speak out against the erroneous policies when they should have. To repudiate Mao entirely might also induce a "crisis of belief." Therefore, while Mao's incorrect or out-of-date policies should be revised, his basic achievements should be affirmed.¹² The wide publicity accorded to Huang's speech indicated that it bore the official imprimatur.

A few months later, articles praising Mao Zedong's military thought appeared in two successive issues of the party's theoretical journal, *Hong Qi*, and in April, 1982, a press release noted that although "the mass activities of studying comrade Mao Zedong's works suffered very great interference for a time due to the influence of erroneous trends in society and certain inappropriate propaganda," military units were again "carrying out . . . a sustained study" of the Chairman's works.¹³

However, during the summer of 1983 the selected works of Deng Xiaoping were published—the title conspicuously similar to that of the Maoist compendium.¹⁴ A full 25 percent of the articles in Deng's book dealt specifically with military matters, and for the next several months the PLA was reported to be studying them eagerly. Accompanying commentaries stressed that Deng, whose works "emphasized the need for discipline and mastery of technical skills," was developing Mao's military thinking "in a creative, correct, and realistic way in connection with the new historical conditions, thus ensuring that our army's work can be shifted onto a correct course step-by-step."¹⁵ The reader is left to draw his or her own conclusions as to the army's previous course and why it may have been incorrect, with a typical report concluding simply that "Comrade Deng Xiaoping has dedicated painstaking efforts to the building of our army and has made brilliant contributions."¹⁶

Shortly after the publication of Deng's works, the selected works of another high-ranking military figure, Zhu De, appeared. Zhu had been commander of the Red Army from its earliest days and, not surprisingly, the majority of the articles in his volume dealt with military

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BOOK REVIEWS

ON CHINA

CHEN DUXIU, FOUNDER OF THE CHINESE COMMUNIST PARTY. *By Lee Feigon.* (Princeton: Princeton University Press, 1983. 279 pages, notes, index and bibliography, \$25.00)

Chen Duxiu's absence from the pantheon of Chinese Communist party heroes is often compared to Trotsky's absence from the "official" histories of the Russian Revolution. Like Trotsky, Chen was conveniently forgotten by the party when he failed to adhere to the orthodox line. Feigon's book is the first comprehensive study of Chen's life and it should be of considerable interest to both the specialist and those who study revolutionary movements. W.W.F.

CHINA AS A MARITIME POWER. *By David G. Muller, Jr.* (Boulder, Col.: Westview Press, 1984. 277 pages, notes, index, maps and photographs, \$30.00.)

The author has drawn on previously classified United States intelligence reports and on Chinese source material for a history of China's maritime efforts since 1945. According to Muller, China is making a conscious effort to upgrade and expand its navy; his brief scenarios for its use include the seizure of Taiwan and the disputed Spratly Islands. W.W.F.

CHEN VILLAGE: THE RECENT HISTORY OF A PEASANT COMMUNITY IN MAO'S CHINA. *By Anita Chan, Richard Madsen and Jonathan Unger.* (Berkeley: University of California Press, 1984. 294 pages, drawings, photographs and index, \$19.95.)

Many of the events that mark China's recent history—The Four Cleanups Campaign, the Cultural Revolution, the Cleansing of the Class Ranks, Economics in Command—lack any depth and meaning for outside observers because they are viewed solely as the intrigues of policymaking elites. *Chen Village* is an examination of the impact these events had on the people living in a small village in south China (the name of the village and the names of the villagers are fictitious for obvious reasons). The authors interviewed former villagers now living in Hong Kong and have used that information to tell in readable prose the story of how the village was governed and how the campaigns and changes emanating from Beijing affected village life. The portrayals of the personality clashes among local party leaders, the suspicion with which urban "sent-down" youth were viewed, and the incredibly low standard of living in the village give the events a sense of immediacy. W.W.F.

STATE AND SOCIETY IN CONTEMPORARY CHINA. *Edited by Victor Nee and David Mozingo.* (Ithaca:

Cornell University Press, 1983. 303 pages, notes and index, \$19.50, cloth; \$14.95, paper.)

The editors have put together a collection of essays on the changes occurring in the Chinese state system. The book is divided into four sections: state and society; state and economy; party and state; and center and locality. All the contributions are clearly written and each provides a critical perspective on developments in the party's philosophy, the economy, government, and the villages. W.W.F.

THE CHINA QUAGMIRE: JAPAN'S EXPANSION ON THE ASIAN CONTINENT, 1933–1941. *Edited by James William Morley.* (New York: Columbia University Press, 1983. 503 pages, notes, bibliography and glossary, \$35.00.)

This is the latest volume to be translated from the seven-volume Japanese work, *The Road to the Pacific War: A Diplomatic History of the Origins of the War*. *The China Quagmire* covers the period preceding Japan's invasion of China, the Marco Polo bridge incident that led to the invasion, and the years of Japanese occupation before Japan attacked the United States. The translators provide short introductions to each section. W.W.F.

REVOLUTIONARY STRUGGLE IN MANCHURIA: CHINESE COMMUNISM AND SOVIET INTEREST, 1922–1945. *By Chong-Sik Lee.* (Berkeley: University of California Press, 1984. 366 pages, notes, glossary, maps and index, \$27.50.)

Chong-Sik Lee's study of the rise of the Chinese Communist party in Manchuria during the 1920's and 1930's shows that the Manchurian CCP did not develop into a mass movement until Japan's invasion of China, when the party was able to rally the peasantry against the Japanese. It also shows that the Soviet Union failed to help the fledgling CCP movement in the years before the Japanese invasion; instead, the Soviet Union waited until it needed a strong movement on its flank once the war with Germany began. W.W.F.

SEEDS OF DESTRUCTION: NATIONALIST CHINA IN WAR AND REVOLUTION, 1937–1949. *By Lloyd E. Eastman.* (Stanford: Stanford University Press, 1984. 311 pages, notes, bibliography and index, \$32.50.)

The "who lost China?" question still inspires debate between those who see the 1949 Communist victory in China as the result of the United States failure to support the Nationalist (Kuomintang) government to the fullest extent and those who argue that the victory

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CHINA'S REFORM PROGRAM

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actually contribute to policy stability as younger, better educated technocrats begin to take operational control of China's economy, military and government.

With each passing year, high-level turnover becomes both more likely and of less concern. Conservative military Marshal Ye Jianying has all but retired from public view. Chief economic planner Chen Yun also appears less frequently in public. Of the most senior leaders, only Deng Xiaoping and President Li Xiannian are still relatively active. More often it is Hu Yaobang and Zhao Ziyang who hold center stage.

Five years of reform have passed in China. The policies of the reformers have brought tangible benefits to the nation and to its citizens. The policies themselves have become acceptable and entrenched, making it more difficult to overturn them. The Chinese leadership will probably continue to fine tune these policies and attempt to address some of the problems that arise as the policies are implemented. They will continue to wrestle with what they see as the negative side effects of foreign involvement in China, including economic crime and spiritual pollution. Periodic campaigns and crackdowns should be expected. This will entail a continued strong role by the public security apparatus to control and limit the public's contact with foreigners.

While succession in a one-party state is inherently uncertain, Deng Xiaoping's attempt to lay the groundwork for a smooth transition of power and a continuation of policy is apparently working. With each passing year, China's new leadership gains in experience, confidence and public acceptance. Whether it will be as innovative and pragmatic as Deng's in administering the state remains to be seen. ■

CHINA'S FOREIGN TRADE

(Continued from page 264)

mills, telephone systems, hydroelectric power plants, and petrochemical plants in various parts of China. There have also been Sino-Japanese joint ventures in which Japanese investments involve the transfer of equipment and technology as well as cash outlays.¹⁰

¹⁰See *The Wall Street Journal*, May 14, 1984, and the Hsinhua news release published in the *Shenzhen Special Economic Zone Daily* (in Chinese), March 2, 1984. According to the release, Nakasone's new loans are to be used for financing the following projects:

- Double tracking and electrification of the railway between Hengyang and Guangzhou.
- Electrification of the railway between Baoji and Zhengzhou.
- Development of deep-water piers and other harbor facilities at Qinhuangdao, Qingdao, Lianyungang.
- Improvement of the telephone systems in Shanghai, Tianjin, and Quanzhou.
- Construction of the hydroelectric plant at Tianshengqiao on the Red River in south China.

Even if the volume of China's trade does shrink in the late 1980's, the reduction may be a temporary deviation from a long-term growth trend; to sustain a steady and lasting growth, however, China will have to develop new exports. The development of light industries like electronics is a possibility. SEZ's could also play an important role in augmenting China's future foreign exchange earnings, if they attract tourism, foreign investment and export processing activities.

Because of the size of China's domestic market, import substitution will probably be the primary target of its overall trade policy. The substitution program will include agricultural imports (e.g., wheat and cotton), as well as manufactured products (e.g., television sets, synthetic fibers, automobiles, small computers and basic oxygen furnaces). The model of export-propelled economic growth, which Japan, Hong Kong, Taiwan and South Korea pursued successfully in the 1960's and the 1970's, might be appropriate for the SEZ's, but not for the Chinese economy as a whole in the near future.

The China trade accounts for about five percent of Japan's total exports and for less than two percent of the total exports of the United States, so the Chinese market has not been significant to either Japan or the United States. The China trade, however, could still involve billions of dollars and could improve conditions on depressed agricultural farms and in some of the faltering industries of developed nations. China, for example, was the leading importer of United States cotton in 1979-1980, and of Japanese steel in 1983. China's planned nuclear power development, if realized, could be a boon to nuclear power manufacturing industries in the United States and other Western nations. In the meantime, Japan and the United States have been major markets for Chinese textile and petroleum exports, and primary suppliers of the capital goods essential to China's modernization program. ■

CHINA'S ECONOMY

(Continued from page 260)

competition between enterprises with capitalism. They defend "eating from the same big pot" and the "iron rice bowl" (permanent employment) as the superior values of socialism. The privileged bureaucrats and many in the army have viewed the reforms as a direct threat to their authority and privileges. All of them have tried to stall the program, and their stubborn opposition has forced the reformers to make concessions that weaken the reform program.

Second, although the leaders at the top may have a sense of urgency, most of the rank and file show little zeal for change. Many adopt a wait-and-see attitude, since the reform process inevitably involves a prolonged period of advance and retreat, twist and turn.

Third, despite many novel proposals, the Chinese leadership still adheres to the "Four Basic Principles"

**Table 1: Key Indicators of China's Economy,
1979–1983**

	1979	1980	1981	1982	1983
GNP (billion US\$)	250.2	283.9	264.2	258.7	264.5
Population (million year-end)	975.4	987.1	1,000.7	1,015.4	1,025.0
Per capita GNP (US\$)	254.7	285.4	262.2	255.6	258.3
Gross value of agricultural and industrial output (billion yuan)	637.9	707.7	758.0	829.1	920.9
Gross value of industrial output (billion yuan)	448.3	489.7	512.0	550.6	608.8
Gross value of agricultural output (billion yuan)	189.6	218.0	246.0	278.5	312.1
Major products:					
Food grain (million tons)	312.2	320.6	325.0	353.4	387.0
Cotton (million tons)	2.2	2.7	3.0	3.6	4.6
Raw coal (million tons)	635	620	622	666	715
Crude oil (million tons)	106	106	101	102	106
Electricity (billion kWh)	282	301	309	328	351
Steel (million tons)	34.5	37.1	35.6	37.2	40.0
Cement (million tons)	73.9	79.9	82.9	95.2	108.3
Machine-tools (thousand units)	139.6	133.6	102.6	99.8	118.0
Cotton yarns (million tons)	2.64	2.93	3.17	3.35	3.27
Cotton cloth (billion meters)	12.2	13.5	14.3	15.4	14.9
Foreign trade (billion US\$)	29.3	38.0	43.1	40.9	42.2
Export	13.6	18.1	21.6	21.9	22.0
Import	15.7	19.9	21.5	19.0	20.2

Notes: GNP and per capita GNP are in current U.S. dollars. Gross value of industrial and agricultural output are in current yuan. The changes in per capita GNP are affected by the exchange rate between the yuan and U.S. dollar.

Sources: GNP, per capita GNP and foreign trade are from *The China Business Review*, January–February, 1984. Figures for 1979–1982 are from the State Statistical Bureau, *Statistical Yearbook of China, 1983* (Beijing, 1982); 1983 figures are from the State Statistical Bureau, "Communiqué on Fulfillment of China's 1983 National Economic Plan," *Beijing Review*, no. 21 (May 14, 1984).

ples"—socialism, Communist party leadership, the dictatorship of the proletariat, and Marx-Lenin-Mao's Thought. In March, 1979, Deng Xiaoping, the architect of the current reform, declared on behalf of the party's central leadership that, "In order to realize the four modernizations in China, we must uphold the four basic political and ideological principles."⁶ Under Deng, these four principles have been proclaimed the fundamental guidelines of the country and were incorporated into the new constitution adopted by the National People's Congress in 1982. The official adherence to these dogmatic principles has provided the radicals with ammunition against the reform. In December, 1983, under the pretext of the "Anti-Spiritual Pollution" campaign, the right-wing hardliners and the left-wing radicals orchestrated a counterattack. They openly condemned the use of foreign capital and the establishment of special economic zones as the mediums of bourgeois ideology and they de-

nounced economic adjustments triggered by the market mechanism as the root of many unhealthy practices.⁷

The Chinese leadership is caught in a dilemma. To revitalize the economy and steer Chinese society toward modernization, the leadership must discard many of Mao's radical visions. Yet to legitimize the monopoly of political power, the regime has to uphold the four principles, which include Mao's thought and the doctrine of proletarian dictatorship. By simultaneously pursuing two contradictory lines—a pragmatic economic policy and a leftist ideology—the Chinese leadership has created profound confusion among the cadres and has dampened the enthusiasm of the masses. Official documents and press reports reveal the deep anxiety of the peasants and the small business operators who believe that the current policy is transitory. Once the political wind shifts, they fear the pendulum will quickly swing back to the left.

No wonder many of the reforms have never been thoroughly carried out. Unless the Chinese leaders are willing to disassociate themselves from the four principles, the reforms will be confined to the general Maoist ideological framework; they will be made only for the sake of expediency and will not become permanent.

⁶*Selected Work of Deng Xiaoping* (in Chinese) (Beijing: Renmin Chubanshe, 1983), p. 150.

⁷See Commentator's article, "Problems in Economic Reform Cannot be Regarded as Spiritual Pollution," *Gongren Ribao* (The Worker's Daily), December 12, 1983, p. 1.

The consensus among Chinese economists is that the future of China's modernization depends on successful economic reform. Since 800 million people live in the countryside, the economy will move ahead only when China's rural economy becomes prosperous. Yet the Chinese peasants can raise their living standards only when new production undertakings are opened, increasing surplus labor is employed, and rural production becomes commercialized. It is officially estimated that, by the end of this century, China's rural labor force will rise to 450 million. With increased mechanization, agriculture will absorb less than 30 percent of the available labor; forestry, animal husbandry and fishery will take up the other 20 percent. Less than 10 percent will be employed in cities or in factories and mines; the remaining 40 percent (nearly 200 million peasants) can only enter rural industries, construction, transport, commerce, services and household-based industrial or sideline occupations.⁸ No state enterprise can accommodate such a huge labor force; thus, the institution of the household contract system, the creation of specialized households, and the opening of coastal cities to foreign capital are significant moves in the right direction.

To dispel the peasant's constant fear of returning to the old ways and to mobilize people's initiative in the years to come, the Chinese leadership may find it necessary to rely on private ownership and market mechanisms. If self-interest is indeed a basic human drive, a partial return of small and medium-sized state enterprises to private management, the coexistence of state and private sectors, a thorough reform of the price structure, and the abolition of the rationing system may indeed stimulate the economy and prevent the comeback of the Maoist radicals. ■

⁸Xue Zhongxin, "Developing Township Enterprises," *Ban Yue Tan* (Beijing), no. 6 (March 25, 1984), pp. 11–14.

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occur. Moreover, articles in the Chinese press discussing the campaign began almost immediately to restrict its scope. Particular attention was given to assuring rural residents that their efforts to increase their personal incomes under the responsibility system would not fall under attack during the campaign. "Getting rich quick" is perfectly acceptable, these articles insisted; only criminal acts and corruption were to be singled out for punishment. By the spring of 1984, the campaign had been all but terminated and the head of the party's propaganda department, who had nominal charge of the campaign, was removed from office.

Because the campaign against spiritual pollution seems to have been carried out halfheartedly, and since foreign contact and bourgeois values came under attack only peripherally, there may be another interpretation of Deng's response to the criticism that he is "restoring capitalism" in China. This other view finds that Deng publicly acknowledges the threat to socialism from the

incursions of capitalism but privately denies that there is a threat. Thus Deng accepts capitalism as a means toward the end of modernizing China. In the light of such an interpretation, recent events take on a somewhat different character.

The campaign against economic crimes and corruption is not necessarily anticapitalist, since the elimination of these problems is as important to the smooth functioning of a capitalist system as it is to that of a socialist system. Similarly, the campaign against spiritual pollution can be seen as a short-lived sop to leftist opponents of current policies. Certain of the targets of the campaign do not threaten socialist systems alone. Worker alienation and the effects of pornography are problems that undermine the successful functioning of capitalist systems as well.

Finally, according to this interpretation, the Chinese leadership sees the cordoning off of capitalist pockets within the socialist system as essentially futile. Rather, the leadership is welcoming what might be called the "Taiwanization" or Hong Kongization of the mainland provinces—that is, unleashing among the mainland population the same entrepreneurial skills and productive drive that helped the Chinese populations of these two areas to develop their economies so rapidly.

Of course public confirmation of these views cannot be expected, even if they were fully articulated in private and firmly held. The current leaders are not without their opponents—men and women whose careers were advanced substantially during the Cultural Revolution and who continue to believe in the principles that prevailed during that period. Deng's efforts at "structural reform" and "party consolidation" aim to undermine the political bases of these individuals. Structural reform has focused on reducing the size of the government bureaucracy and rejuvenating it, bringing into leadership positions younger and more technically qualified individuals while retiring the elderly to advisory councils. Because there is likely to be greater sympathy for current policies among middle-aged professionals than among elderly politicians, structural reform should strengthen Deng's position vis-à-vis his opponents.

Party consolidation is aimed much more explicitly at undermining the political power of Deng's opponents. The campaign was laid out in three phases over a three-year period beginning in October, 1983. The first phase was described as formulating a new and correct ideological explanation for the current period; a current "truth" to be sought from current "facts." It is in the context of this first phase of the consolidation of the party that the redefinition of socialism and the campaign against spiritual pollution have taken place. The second phase will involve measuring the commitment of the party's 40 million members to the new program and its ideology.

In the final phase, those whose commitment is clear will be reregistered as party members immediately; those who waver in their commitment will be given the opportunity to become firm in their support through persuasion and

political education which, if successful, will lead to their reregistration; those clearly opposed to the current line will lose their party membership. The party is careful to point out that no quotas have been set in advance of the consolidation campaign, though one should bear in mind that 40 percent of current party members entered the party during the decade of the Cultural Revolution.

If these moves to reduce the influence of those who are opposed to current practices are successful and if the current policies continue to be effective in raising the standard of living in China, then one might expect the Chinese party and government leaders to become more relaxed and more frank when they discuss the longer-term implications of

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matters. Only days later, the memoirs of Nie Rongzhen, another senior PLA figure, were published, just in time for the celebration of the 56th anniversary of the Chinese military. Other veterans were encouraged to write their recollections, both to edify the younger generation and to give themselves constructive work in retirement. Although the Maoist military heritage had not been repudiated, it had plainly been given a good deal of competition.

There would be more emphasis on "positive defense" as opposed to the "luring deep" of People's War; there would also be an increased use of positional warfare and a move toward the defense of cities, as opposed to the mainly mobile warfare of the past; and the concept of attempting to lure the enemy to the battlefields that gave the Chinese the advantage was to substitute for the "enemy advances, we retreat" Maoist formula.

Training methods were revised to reflect these changes in doctrine. Increased attention was given to combined arms and coordinated unit operations, and there was more emphasis on large-scale maneuvers. In September, 1981, a combined-arms exercise estimated to involve six or seven armies and 200,000 troops was held near Beijing, and during the following summer an exercise simulating the use of tactical nuclear weapons was held in Ningxia.¹⁷ During the spring of 1980, an 18-ship task force completed an unprecedented 8,000-nautical-mile mission to the South Pacific,¹⁸ and in May and June, 1983, a PLA

¹⁷Kyodo (Tokyo), July 1, 1982, in FBIS-Chi, July 2, 1982, p. K/1; see also *South China Morning Post* (Hong Kong), July 7, 1982, in FBIS-Chi, July 7, 1982, p. W/1. There was considerable speculation that the exercise involved actual, rather than simulated, tactical nuclear weapons.

¹⁸These and other Chinese naval developments are discussed in Richard Breeze, "Wild Blue Yonder," *Far Eastern Economic Review*, June 11, 1982, pp. 21-22.

¹⁹The actual missile flew only about half this distance. See Michael Parks, "China's Strategic Hand Grows Stronger With Sub Missiles," *Philadelphia Inquirer*, October 24, 1982, and Russell Warren Howe, "Chinese To Develop Nuke Subs," *Washington Times*, October 28, 1982.

naval training squadron undertook a 6,000-nautical-mile training cruise. At the same time amphibious exercises were held on China's coast, and it was revealed that China had set up an elite force for seaborne landing operations. Also in mid-1983, the country's largest air maneuvers were held in central China.

People's War is still revered, although usually the homily will qualify it as "People's War under modern conditions"—"a tiger that has grown wings," according to Chief of the General Staff Yang Dezhi. But, to employ the headline of an October 18, 1983, *New York Times* article, "The Chinese Nostalgia For A 'People's War' Is Fading."

WEAPONS

Improvements have been made in land, sea and air defenses. In 1980, China successfully tested an intercontinental ballistic missile (ICBM) with a range of 7,000 nautical miles. Estimates of the number of ICBM's now deployed vary between two and eight. In 1982, China tested its first submarine-launched ballistic missile (SLBM), with an estimated maximum range of 1,500 nautical miles.¹⁹

During this period China launched three experimental space physics satellites with a single carrier, becoming only the fifth nation to have done so. More recently, in April, 1984, China launched its first geosynchronous satellite. Official reports concentrated on the civilian communications advantages of the launch. It was, for example, stated that television programs originating in Beijing would now be seen simultaneously in far-off Xinjiang province, rather than delayed several hours.

But there are important military ramifications as well. The rocketry required to propel the satellite into orbit—a three-stage launcher with a refined guidance system—greatly exceeds the firing capability of the present generation of Chinese ICBM's. And the satellite could revolutionize military communications, replacing the rudimentary and fragmented telephone system that now links PLA units with a reliable and private channel for military radios, which are still vulnerable to weather conditions and open to enemy monitoring.

In terms of aircraft, China is developing a new fighter, the variable-wing J-8 (also known as the F-8), based on the Soviet MiG-23. Chinese Nationalist sources are concerned that its deployment will upset the air power equation in the Taiwan Straits area. Probably the most important naval development has been the deployment of the *Xia* strategic missile submarine, believed to have been launched in mid-1981. Its SLBM is believed to be the CSS-NX-4, a variant of the T-3 intermediate-range ballistic missile with a range of 1,800 nautical miles. At least one, and possibly two, *Xia* submarines are operational; thus China has joined the small group of countries—the United States, the Soviet Union, Britain, and France—that possess a strategic missile submarine force.

As for the surface fleet, a computer-controlled ship has

been launched that is said to be capable of sailing to any part of the world without refueling. A domestically produced hovercraft is operational as well. Although used for civilian transport, the craft has the type of swing-down door used by vehicles designed for military purposes, to allow troops or armor to disembark.

For China's ground forces, the new Type-69 tank has begun to replace the older Type-59, which was a copy of the Soviet T-54. A copy of the Soviet AT-2 *Sagger* heavy anti-tank missile has also been developed.

While these weapons unquestionably represent significant accomplishments for the Chinese, they are a far cry from the state of the art and sometimes fail to live up to their maker's claims. For example, rumors persist that, contrary to Chinese statements, the 1982 SLBM launch was not carried out from a submerged submarine. Even if it had been, commented one source, the launch amounted to "a great leap forward into the 1960's."²⁰ Moreover, the non-Chinese counterparts of the new *Xia* submarines are the United States *George Washington* class and Soviet *Yankee* class, the former first deployed in 1959 and the latter in 1968. Development of the J-8 fighter plane has been beset by problems, and it is expected to be at least another year before the plane can be deployed. The prestigious trade publication *Defense Week* predicted that the result would be a "much less ambitious machine" than originally expected, with more resemblance to the MiG-21 than the MiG-23. Even so, the magazine noted, by the time the J-8 appears, the MiG-23 will be nearly 20 years old.²¹

Much has been accomplished in the past few years. A working consensus has been reached on military doctrine, training methods have been revised, and weapons have been upgraded. The military force is apparently becoming leaner, younger, and better educated. More attention has been paid to the resettling of demobilized soldiers; reports of protests by disgruntled veterans have all but disappeared. Reports of resistance to the draft are also much diminished.

But the problems of the future are overwhelming. Recent reforms have essentially moved the Chinese military from the 1950's into the 1960's. Meanwhile, the armies of potential rivals like the United States and the Soviet Union are moving ahead substantially faster than China's; the gap between these rival forces and the PLA has actually widened rather than narrowed during the past several years.

China's needs are in no sense urgent; China is unlikely to be the object of imminent attack. But to create the type

of modern army that China's leaders evidently desire, certain procurement needs must be met. These include fighter aircraft, anti-air fleet defense, anti-tank weapons, and command, control, communications and intelligence equipment. And there are problems beyond the acquisition of better military hardware. Despite several attempts, Deng Xiaoping and his supporters have been unable to reinstate the system of military rank that was abolished in 1965.²² Minimal transfer of officers among units exacerbates tendencies toward personalistic loyalties. The PLA still has no noncommissioned officer corps, although its performance during the 1979 Vietnam War apparently convinced many Chinese leaders that such a corps is needed. And the anticorruption drive in the military appears to have accomplished very little, possibly because military corruption is basically a reflection of the level of corruption in Chinese society in general, albeit magnified by the greater opportunities for mobility and easier access to vehicles that the PLA enjoys.

It is not certain that the present trend toward a younger, better educated armed force will continue. Removing, or even easing, the pressures for retirement would probably mean that many officers would stay on. Less emphasis on education would have a similar result, since many officers understandably do not welcome the requirement to sit for examinations that may result in their demotion or severance from the PLA.

Clearly, only the Chinese themselves can decide how to deal with military corruption and whether or not to reinstate a rank system and create a noncommissioned officer corps. But the United States could certainly help China to overcome the technological gap that has kept its newest weapons 20 years behind the state of the art.

Whether the United States *should* do this is another question. American critics of military aid to China stress that China is an unreliable ally, that such a program would be prohibitively expensive, that accelerated Chinese military modernization would disturb the Asian balance of power without making China significantly stronger against the Soviet Union, that Sino-American military cooperation would anger the Soviet Union without producing any net gain for United States security, and that China is unable to absorb advanced technology.

Those who favor military aid to China point out that it will give the United States a guiding role in China's modernization process, that if the Chinese do not get military aid from the United States they will get aid from countries whose policies Americans may not approve, that the United States may be able to gain concessions from the Chinese on such matters as intelligence-gathering facilities and basing rights in return for military aid, and that if the Chinese do not get United States military aid they may feel compelled to reach an accommodation with the Soviet Union, thereby freeing the 500,000 Soviet troops now stationed near the Sino-Soviet border for use elsewhere.²³

A similar, though less easily documentable, debate has

²⁰*Defense Week*, May 23, 1983, p. 20.

²¹*Ibid.*, p. 21.

²²In late May, 1984, the Chinese government made public the draft of a military service law that reinstitutes the military rank system.

²³For a fuller discussion of these and related issues, see *U.S.-China Relations: Challenge to American Policymakers* (Washington, D.C.: The Heritage Foundation, 1984).

been going on in China. Proponents stress the need to avoid the technological tail-chasing that has characterized Chinese research and development in the past and argue that because of its geographical position the Soviet Union will always be a greater menace than the United States. Opponents point out that foreign technology is too expensive and often beyond China's capacity to absorb, that accepting it will make China dependent on foreign powers and endanger its sovereignty, and that the import of otherwise desirable foreign military hardware will be accompanied by an intolerable level of undesirable foreign influence in social mores and fashion preferences. They also fear that accepting United States military aid may be the bait for an American trick involving the subsequent sale of United States weapons to Taiwan. They therefore argue that China should rely on itself alone.

Hence, the progress of Sino-American military cooperation has been slow. Not surprisingly, each side has blamed the other for the lack of substantial progress; the Chinese argue that any restrictions placed on the use of certain items is a violation of China's sovereignty; and the United States expresses annoyance at what it feels is China's stubborn insistence that everyone must play by its rules.

In June, 1981, the Reagan administration lifted a long-standing ban on the sale of lethal weapons to China; in May, 1983, it moved China into the export category of "friendly" nations, and established an interagency steering group on Chinese technology transfer under the direction of the National Security Council. After United States Secretary of Defense Caspar Weinberger's fall, 1983, visit to China, three zones were established to govern licensing decisions on sales to China: a green zone, including items deemed to represent minimum national security risk and for which licensing applications would receive routine approval; an intermediate zone, comprising very high technology items and requiring a case-by-case review; and a red zone, including America's most advanced technologies with direct application to advanced military systems, which usually would not be shared even with its allies. Applications to export items in the red zone will probably be refused; even the contents of the red zone are highly classified.

A regular program of reciprocal visits by Chinese and American military delegations has also been established, allowing each to study the other's training, logistics, battle tactics and other military skills. During Wein-

*Editor's note: The nuclear agreement was also imperiled by the Reagan administration's acknowledgement in late June, 1984, that China may have aided Pakistan's effort to develop a nuclear weapon; this acknowledgement cast doubt on China's good faith in pledging to oppose the spread of nuclear technology with weapons applications. See *The New York Times*, June 22, 1984.

²⁴As expressed by a former United States military attaché to Beijing, "The Chinese basically want to be given the weapons systems for free." Author's conversation, February, 1984.

berger's trip and President Ronald Reagan's May, 1984, visit, the United States expressed its willingness to sell China defensive weapons, including items like the TOW antitank missile, the Hawk anti-aircraft missile, and the components of early warning radar systems. Nothing has come of these discussions, partly because of China's limited purchasing power and partly because of its desire to drive a very hard bargain.²⁴ An agreement on the exchange of nuclear technology was reached during President Reagan's visit, but a somewhat unusual coalition of American conservatives who distrust China's intentions and liberals who oppose proliferation may constrict its application.*

The net effect of the mutual misgivings on military matters, plus continuing budget constraints on the Chinese military (while the Chinese leadership puts its priorities on civilian economic development) indicate that China's military modernization will proceed rather slowly in the near future. Innovations are most likely in the nuclear field, which receives priority within the military budget, and in training and military management techniques.

While some Western analysts have been tempted to predict the professionalization of the PLA, this writer remains skeptical. The army is more heavily involved in civilian economic work than ever before, and it retains a commanding role in such unlikely areas of military interest as literature and art. And affirmations that the army will never relinquish its role in production and will continue to honor the PLA's traditional commitment to "serve the people" are commonplace. Repeated official pronouncements indicate that the PLA will not give up these assignments, however unorthodox and unusual they may appear. Hence it is likely that the direction of change in the military will be determined not so much by professionalism in the Western sense as by the unique factors that have led to the present relationship between the PLA, the Communist party and the state. ■

SINO-AMERICAN RELATIONS: BUILDING A NEW CONSENSUS

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the result both of American insistence and the inevitable momentum from the Sino-American economic relationship. The impact of economics has been particularly obvious in negotiations over arms sales to China. The technological weaknesses of the Chinese military are clear, and since the Carter administration the United States has expressed a willingness to sell certain types of arms to China. The Chinese have been cautious, pointing to the expense of large purchases and the priority of importing technologies rather than end-use weapons systems. The visit of a Chinese arms-purchasing delegation in the spring of 1984 and the visit of Defense Minister Zhang Aiping in June, 1984, are, to be sure, attempts to remedy some of China's military deficiencies quickly.

However, they are also a part of a broader Chinese effort to obtain foreign technology. Such actions also accommodate the Reagan administration, which seems to feel that military cooperation and consultation are essential to a healthy relationship with China.¹⁰

Still, China's readiness to develop a military relationship, in particular, and a strategic dimension, in general, goes beyond economics. Beijing undoubtedly recognizes that there are very real commonalities of national interest between the United States and China. The Chinese leaders continue to articulate their "independent" foreign policy and during the visits there were sharp exchanges with the United States over such issues as South Africa, the Middle East and Latin America. However, there was also evidence that substantive talks took place on issues related to Southeast Asia and Korea—two areas of important joint American–Chinese concern.

Still, the real litmus test for the United States is China's attitude toward the Soviet Union. There is little evidence that the Chinese have perceived any increase in the Soviet threat. On the contrary, in 1983–1984 there has been a sharp rise in Sino–Soviet trade and cultural exchanges. The talks with Moscow continue and Deng Xiaoping's criticism of President Reagan's Soviet policy suggests that the Chinese continue to fear too close an alignment with the United States.

However, despite these constraints the Chinese have sent signals that they do not really see the United States as being as hegemonic as the Soviet Union. Zhao specifically told a reporter that China did not pursue a "policy of equidistance." As Zhao remarked, China knew very well where the threat to China came from—the Soviet Union.¹¹ The fact that the Chinese tie down almost 50 Soviet divisions in the Far East provides a de facto strategic dimension to the relationship.

The problem has been to find a formula for Sino–American cooperation that cushions the Chinese from the possible side effects of American–Soviet policy and does not increase Soviet suspicions. During early 1984, it appeared that such a formula might be found in the idea of a Pacific Basin or Pacific Community. The President

himself began to discuss this concept and the Chinese are pursuing it.¹² Placing Sino–American cooperation in a Pacific context would certainly dilute the bilateral quality of the strategic relationship and would involve Japan. However (as Michel Oksenberg has noted), this notion has still not taken root.¹³ Moreover, it appears not to have fooled the Soviet Union; witness the postponement of the May, 1984, visit to China of a Soviet Deputy Prime Minister, Ivan Arkhipov.

In February, 1983, Bernard Weintraub reported in *The New York Times* that the Reagan administration was trying "to use high-level meetings to cast Chinese–American relations into a firm long-term mold, while at the same time accepting the frictions in the relationship."¹⁴ Such friction may be seen as an index of a healthy relationship; nonetheless, there are potential areas of conflict that may disrupt the consensus toward which both China and the United States are working.

The centrality of economic issues in Sino–American relations is plain. The Chinese have made it clear that they see American willingness to promote China's modernization as a reflection of "trust" between the two nations. The Reagan administration and the American business community have, for their part, expressed great expectations with regard to China's economic potential.

To some extent, these expectations are being realized. American companies are the largest foreign investors in China and their investments are likely to increase as China opens more areas to foreign investment. In China and in the United States, a complex web of relationships is developing. Sino–American trade, which suffered because of the political problems of 1983, is expected to reach almost \$5.5 billion in 1984. Finally, there are encouraging signs in the composition of that trade.¹⁵ Before the liberalization of technology restrictions, agriculture made up 60 percent of American exports. There are indications that this percentage will decline; technology exports will account for the shift.

Still, serious problems remain in the technology transfer area. Soon after the shift of China to category V, United States administrative guidelines were put into effect to speed the granting of export licenses. Despite these efforts, China remains subject to special restrictions and is often the victim of bureaucratic red tape. Finally, United States exports to China are slowed by the necessity of clearing them with America's allies through the medium of COCOM.* This adds yet another layer of bureaucracy and conflict.

Other economic issues have been raised between the two governments. For example, Chinese failure to adhere to civil aviation and maritime agreements raises contentious issues. However, Chinese exports to the United States offer the greatest potential for conflict. At a time of rising protectionist sentiment in the United States, news that Chinese clothing and textile exports to the United States rose 72 percent over the previous year in the first two months of 1984 is disquieting to Americans.

*Editor's note: A group made up of officials from NATO and Japan that sets nonbinding guidelines on the transfer to Communist nations of technology with military applications.

¹⁰During Zhang Aiping's visit there was apparently an agreement to sell anti-tank missiles and artillery shells. See *The New York Times*, June 21, 1984.

¹¹Richard Nations, "They're Going Steady," *Far Eastern Economic Review*, January 27, 1984, p. 24.

¹²Derek Davies and Nayan Chanda, "The View From the White House," *Far Eastern Economic Review*, May 17, 1984, pp. 30–36.

¹³Michael Oksenberg, *President Reagan's China Trip: A Background Paper* (New York: The China Council of the Asia Society, 1984).

¹⁴*The New York Times*, February 3, 1983.

¹⁵The following discussion is based on Ross, *op. cit.*

The business community is also concerned. Beside the usual bureaucratic hassles involved in doing business with China, there are important obstacles to expanding investment, especially the failure of the United States and China to reach agreement on a treaty to protect such investment.

These economic difficulties should not be minimized, because China has taken economic support as the prime indicator of the American commitment to China. Behind Chinese impatience with bureaucratic problems is a deep suspicion with regard to the extent of that commitment. Disputes over import quotas are inevitably viewed as insults to China. Finally, the economic issue becomes most volatile when the Chinese believe that Washington is attempting to use economics to extract concessions elsewhere.

And so we come to the single issue most likely to destroy the developing consensus—Taiwan. It may be true that the Chinese leadership has decided not to press the Taiwan issue now. However, in the past an apparent leadership consensus has limited Chinese flexibility on this issue. At the center of this consensus is China's emotional conviction that a non-Communist Taiwan represents not only an unfulfilled revolution, but an insulting diminution of China's hard-won status as a sovereign nation. Since 1972, this consensus has imparted two elements to negotiations on Taiwan. First, the Chinese have insisted on stating their differences with the United States publicly; hence the now ritualized parallel statements. Second, the Chinese have always sought to secure some movement on the issue in every agreement; movement on the Taiwan question may be slow, but it must go forward. Since 1972, experience suggests that even when China's leadership has been willing to put the Taiwan issue aside, Beijing reacts most strongly when it believes that American policy is *reneging on the incremental concessions gained*. This was probably the case in the early years of the Reagan administration.

Since then, the Taiwan issue has not been disruptive because of the acknowledgements in the 1982 communiqué and because the Reagan administration has been careful to avoid any evidence of retrogression. But the United States has clearly reached the limit on concessions, given President Reagan's continuing commitment to his "old friends" in Taiwan. The administration has assured Taipei that it will not revise the Taiwan Relations Act, which provides for the continued supply of "sufficient" defensive weapons and declares that attempts to use force to resolve the Taiwan issue will be viewed with "grave concern" by the United States.¹⁶ And even as China moves closer toward the purchase of arms from the Reagan administration, Taiwan and its American friends are beginning to press for more advanced weaponry to

meet a perceived increase in the threat from the mainland.

In short, across a broad range of issues there is still considerable potential for crisis in the fragile Sino-American relationship. It is by no means clear that the exchange of visits has dispelled Chinese distrust of President Reagan, and while the economic-political basis of the Sino-American relationship seems to be stronger, there are real problems in the economic area and no firm, "rooted" consensus on political issues. Finally, both the United States and China face political transitions.

Indeed, as this article is going to press, two delicate issues in Sino-American relations are becoming inflamed. The American decision to postpone consideration of a nuclear pact with China because of evidence that Beijing aided Pakistan's nuclear program hits on two sensitive points: the United States may be reneging on a technology agreement and may be doubting a pledge given by Prime Minister Zhao. The fact that these charges coincide with the Reagan administration's announcement of an arms sale to Taiwan only complicates the problem. The durability of the new relationship faces an early test. ■

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their current policies. As one Chinese economist studying in this country put it recently:

If we can only have five more years of successful experience with the current policies, then they can't be overturned. They will be overwhelmingly popular and the opposition will be permanently discredited.

A flexible and eclectic approach to broader developmental goals in China is not unique to the 1980's or to Deng's leadership. American observers visited the Chinese Communist base area in Yan'an during World War II and filed reports that stressed the independence of Yan'an from Moscow and the innovativeness and flexibility of the party's approach to agrarian reform and guerrilla warfare.¹³ These reports were subsequently dismissed as naive at best, traitorous at worst, by Americans who could not accept the idea of differences of opinion among Communists and who saw the phrase "flexible Marxist-Leninists" as an oxymoron. With the reemergence today of a similarly flexible approach in the Chinese Communist party and China's willingness to align itself with the West in implementing this approach, the "naive" assessments of the wartime observers appear not only accurate but prescient.

Assuming that this interpretation of current theory and practice in China is correct, is it best regarded as a

¹⁶A version of purported assurances given Taiwan by the Reagan administration can be found in *The New York Times*, April 26, 1984. I have added the language from the Taiwan Relations Act.

¹³See Joseph W. Esherick, ed., *Lost Chance in China: The World War II Despatches of John S. Service* (New York: Random House, 1974).

"post-Marxist" or a "neo-Marxist" approach? It could be argued that the interpretation is post-Marxist in the sense that the establishment of a fully modern capitalist economic system and a bourgeois society in China would inevitably come to be ends in themselves. With modernity achieved and the standard of living raised, there would be no incentive for moving beyond a capitalist stage to reestablish a socialist system.

A "neo-Marxist" interpretation—one which the Chinese have begun to discuss in recent months—argues that it was a fundamental mistake (in Marxist terms) to attempt to establish a socialist system in China following liberation, since the economic and social systems were largely feudal, not capitalistic. Imperialism, as Lenin has argued, introduced elements of capitalism into the colonized country. But these elements were insufficient to accomplish what Marx saw as the necessary achievements of the capitalist system: the creation of a material surplus and a politically conscious proletariat. Because of this hiatus, it is necessary to move back and recreate a fully realized capitalist stage in China. Only then can a lasting and genuine socialist system be created.

CONCLUSION

For the moment, and for the immediate future, knowledge of the motives and purposes of the leadership of the Chinese Communist party and the Chinese government can only be speculative. Until the leadership's position has been thoroughly consolidated and its opposition thoroughly weakened and discredited, an admission that the commitment to a socialist system in China has been attenuated would be foolhardy. As a result, for the next several years we are likely to see a widening disjunction between statements on China's developmental goals and the actual economic practices that are, nominally at least, intended to help China achieve these goals. ■

CHINA AND THE SOVIET UNION

(Continued from page 247)

imperatives (e.g., the massive rearmament of the West), a Sino-Soviet rapprochement will come about only if the Soviet Union shows greater willingness to accept "national communism" and if China feels more secure. Progress is likely to be slow and modest, subject not only to the vagaries of policy and politics in China and the Soviet Union, but to the actions of third parties, like the United States, Vietnam, and Japan. In the short run, both parties will probably continue to grope for a limited détente. ■

BOOK REVIEWS

(Continued from page 272)

was inevitable because of Nationalist incompetence and military weakness. Eastman comes down squarely on the latter side of the debate. Drawing on previously

unused material in the Nationalist archives in Taiwan, Eastman argues convincingly that the Nationalists never laid the base for an efficient and strong government. Although he takes into account the devastating impact of the Japanese invasion (and the Soviet Union's invasion of Manchuria in 1945) on the Nationalists' argument, his evidence speaks for itself. As Nationalist leader Chiang Kai-shek said in 1948: "To tell the truth, never, in China or abroad, has there been a revolutionary party as decrepit and degenerate as we [the Kuomintang] are today . . . this kind of party should long ago have been destroyed and swept away." W.W.F.

WORLD BIBLIOGRAPHICAL SERIES. VOLUME

35. CHINA. By *Peter Cheng*. (Santa Barbara, Cal.: ABC-Clio Press, 1984. 371 pages and indexes, \$55.00.)

This is a helpful bibliography for the general researcher. The author has culled 1,470 English language titles from the literature published on China between 1970 and 1982. A large number of topics are covered, including geography, tourism, biographies, foreign relations, trade, history and other bibliographies and reference works. W.W.F.

CHINA WITHOUT MAO: THE SEARCH FOR A

NEW ORDER. By *Immanuel C. Y. Hsü*. (New York: Oxford University Press, 1983. 212 pages, notes, bibliographies and index, \$19.95, cloth; \$7.95, paper.)

A compact history of the changes that have occurred in China since the death of Mao Zedong in 1976. The major events and figures of the period are highlighted, although the author's idiosyncratic interpretations sometimes show through (as in his review of China's relationship with Vietnam during the course of the Vietnam War). W.W.F.

THE RISE OF MODERN CHINA. 3D EDITION. By

Immanuel C. Y. Hsü. (New York: Oxford University Press, 1983. 934 pages, notes, bibliographies, glossary, illustrations and index, \$19.95.)

The newest edition of this introductory history updates some sections and adds an entirely new section on China since 1976 (the new material on the post-Mao era has also been published in Hsü's *China Without Mao*.) W.W.F.

RURAL ENERGY DEVELOPMENT IN CHINA. By

Robert P. Taylor. (Washington, D.C.: Resources for the Future, 1982. 273 pages, notes and index, n.p.)

A comprehensive survey of China's leadership in the development of small-scale, decentralized rural energy production. Special emphasis is placed on the feasibility of introducing into developing nations the Chinese model of small coal mines, hydroelectric plants and family-sized biogas digesters. W.W.F. ■

FOUR MONTHS IN REVIEW

A Current History chronology covering the most important events of April, May, June, and July, 1984, in four monthly sections, to provide a day-by-day summary of world affairs.

APRIL, 1984

INTERNATIONAL

African Front Line States

April 29—Leaders of the so-called front line African states open a 2-day conference in Tanzania to discuss their policies against South African apartheid.

Arms Control

(See also *U.S.S.R.*; *U.S.*, *Foreign Policy*)

April 9—In Bonn, the foreign ministers of West Germany, Britain, Denmark, Belgium and the Netherlands approve a plan to license the export of chemicals that can be used to make chemical weapons.

April 18—At the Mutual and Balanced Force Reduction talks in Vienna, the Western nations present a new plan to count the troop strength of the North Atlantic Treaty Organization and Warsaw Pact forces.

Contadora Group

April 30—The Contadora Group foreign ministers and officials of 5 Central American countries meet in Panama to find ways to implement the group's 21-point peace plan for Central America.

Iran-Iraq War

(See also *U.S.*, *Foreign Policy*)

April 2—At a news conference in London, Rajai Khorassani, the Iranian delegate to the United Nations, says that Iran is able to manufacture its own chemical weapons.

April 26—It is reported that a Saudi oil tanker has caught fire in the area of Kharg Island.

April 27—In Baghdad, Iraq claims it destroyed 3 ships in the Persian Gulf today in an area Iraq has termed closed to shipping.

Islamic Conference Organization

April 3—Secretary General Habib Chatti receives the Egyptian delegate to the conference; Egypt was suspended from the organization in 1980 after signing its peace treaty with Israel.

Organization of American States (OAS)

April 12—The permanent council of the OAS votes 26 to 0 to approve a ruling that former Secretary General Alejandro Orfila violated OAS rules by working for an American company during his final months as head of the OAS.

United Nations (UN)

April 4—The U.S. vetoes a Security Council resolution condemning the mining of Nicaragua's ports; Britain abstains.

April 17—The International Court of Justice (World Court) meets to discuss a Nicaraguan accusation made April 9 that the U.S. is involved in attacks on Nicaragua; the U.S. said on April 8 that it would not accept the Court's jurisdiction on U.S. Central American policies.

AFGHANISTAN

April 25—The official Afghan press agency reports that an

offensive led by Soviet troops has driven Afghan guerrillas from Panjshir Valley; the Soviet Union, which invaded Afghanistan in 1979, began the offensive the first week of April with high-level saturation bombings.

ANGOLA

April 23—Angop, the official press agency, confirms that at least 24 people, including 10 Cubans, were killed in a car-bombing last week that was carried out by anti-government guerrillas.

ANTIGUA AND BARBUDA

April 18—Results from yesterday's elections show that Prime Minister Vere Bird has won another 5-year term.

ARGENTINA

(See also *U.S.*, *Foreign Policy*)

April 24—Minister of Labor Antonio Mucci resigns in order to avoid a confrontation with Peronist labor unions over government labor policies. Juan Manuel Casella will be sworn in to take his place tomorrow.

BANGLADESH

(See also *India*)

April 8—The military government announces that it has released 224 political detainees.

April 24—Troops exchange gunfire with Indian soldiers along the border for the 2nd time since April 20.

BOLIVIA

April 6—President Hernán Siles Zuazo announces economic austerity measures; public utility rates are raised, consumer prices are increased and the peso is devalued.

April 13—Workers throughout the country stage a general strike to protest the government's austerity program.

April 30—Major unions begin a 72-hour general strike.

BRAZIL

April 10—Over 500,000 people demonstrate in Rio de Janeiro.

April 16—Nearly one million people march in São Paulo in a demonstration in support of direct presidential elections.

President João Baptista Figueiredo, the military ruler, announces that the country will be returned to full democracy by 1988; the military has ruled out direct elections for President this year.

April 18—The government imposes emergency measures on Brasilia banning public demonstrations.

April 26—The Congress rejects a constitutional amendment that would have mandated direct presidential elections.

CAMEROON

April 7—President Paul Biya announces that his troops have scored a "complete victory" against dissident palace guards who attempted a coup.

CANADA

April 2—Foreign Secretary Allan J. MacEachen and U.S. Secretary of State George P. Shultz sign the Skagit River

Treaty; the settlement aims at preventing flooding in Canada's Skagit River Valley and will provide more energy for the state of Washington from the Ross Dam on the river.

CHILE

April 2—President Augusto Pinochet dismisses his finance and economic ministers.

CHINA

(See also *U.K., Great Britain; U.S., Foreign Policy; Vietnam*)

April 2—The official New China News Agency reports that artillery gunners have shelled Vietnamese forces along the border in retaliation for alleged Vietnamese border attacks in March.

April 8—The official radio claims that border guards killed or wounded 23 Vietnamese after they crossed the border to plant mines.

April 11—It is reported that Deng Liqun, head of the propaganda department of the Central Committee, has been removed from his post because his "spiritual pollution" campaign failed in October, 1983.

April 13—The Foreign Ministry denies that Deng has left his post.

COLOMBIA

April 1—President Belisario Betancur announces that on May 28 a cease-fire will go into effect between security forces and guerrillas of the Revolutionary Armed Forces.

April 30—Two gunmen assassinate Justice Minister Rodrigo Lara Bonilla in Bogotá.

COSTA RICA

(See also *Nicaragua*)

April 21—A senior government official tells *The New York Times* that Nicaraguan rebels operating out of Costa Rica have been bribing Costa Rican government officials with money supplied by the U.S. Central Intelligence Agency; the Costa Rican government denies the charge.

April 23—Foreign Minister José Gutiérrez demands that *The New York Times* deliver proof that Costa Rican officials are receiving bribes.

CUBA

(See *Angola*)

DOMINICAN REPUBLIC

April 24—It is reported that more than 40 people were killed in rioting that began yesterday after businesses called for a 24-hour strike to protest government-ordered price increases on all imported goods and basic foods. Austerity measures are part of an effort to meet International Monetary Fund loan requirements.

April 25—President Salvador Jorge Blanco says that the three days of rioting have ended.

April 30—Jorge Blanco reveals new measures to raise incomes and lower food prices for the poor; the unions declare a national day of mourning for the dead rioters and threaten a general strike.

EGYPT

(See also *Intl, Islamic Conference Organization*)

April 12—The government stops the distribution of *Al Wafd*, the newspaper of the opposition New Wafd party.

April 19—Foreign Minister Kamal Hassan Ali announces that Egypt and the Soviet Union have agreed in principle to exchange ambassadors in the near future; President Anwar Sadat expelled the Soviet ambassador in 1981.

EL SALVADOR

(See also *U.S., Foreign Policy*)

April 1—The Central Elections Council announces that José Napoleón Duarte, head of the Christian Democratic party, finished first with 43.4 percent of the vote in the March 25 election; Roberto d'Aubuisson, head of the Nationalist Republican Alliance, came in second and will face Duarte in a run-off election May 6.

April 11—A U.S. military official tells *The New York Times* that U.S. military advisers have accompanied Salvadoran pilots on training missions that included bombing guerrilla positions.

April 13—A Foreign Ministry spokesman announces that El Salvador is officially moving its embassy in Israel from Tel Aviv to Jerusalem.

April 18—Two unarmed U.S. Army helicopters carrying 2 U.S. Senators are shot down after they stray over guerrilla-held territory on an inspection trip of Salvadoran refugee camps in Honduras; no one is injured.

April 26—Provisional President Álvaro Magaña vetoes a bill that would have eliminated the use of voter-registration lists in the May 6 elections for President.

FRANCE

(See also *U.S., Labor and Industry*)

April 4—Marchers block highways and streets in eastern France to protest the government's planned elimination of 25,000 steelworker jobs; at a news conference, President Francois Mitterrand says that the planned reductions and restructuring of the steel industry are "my duty."

April 13—An estimated 30,000 to 50,000 people demonstrate against the government's steel policy.

April 18—The Cabinet approves a bill that would increase government control of the Roman Catholic schools; the bill goes to the National Assembly.

April 20—The Socialist government of Mitterrand survives a vote of confidence; the Communist party, which is part of the ruling coalition, votes for the government, even though it has argued against Mitterrand's steel policy.

GERMANY, WEST

(See also *U.S., Foreign Policy*)

April 21—West German border police report that 8 people say they saw a U.S. Army helicopter stray into Czechoslovakian airspace yesterday; 2 Soviet-made jet fighters reportedly fired on the helicopter but did not hit it.

GUINEA

April 3—The armed forces announce that they have taken control of the government; President Ahmed Sékou Touré died on March 26 and a new leader has not been announced.

April 5—The military government announces that Colonel Lansana Conté is the new President.

April 8—In a news conference, Conté says that there is no timetable for a return to civilian rule and that there will be no political executions; he says that none of the officials of the ousted government have been harmed.

HONDURAS

April 1—Honduran officials say that General Gustavo Alvarez Martínez's removal from command of the armed forces yesterday stemmed from younger officers' dislike of his autocratic rule.

April 3—General Alvarez says that he was forced from his position by "disloyal and ambitious soldiers."

April 13—A 1-day military exercise involving Honduran and U.S. paratroopers takes place 60 miles from Nicaragua.

INDIA

(See also *Bangladesh*)

April 1—Sikh leaders say they have called off a symbolic burning of copies of the constitution following the government's decision last night to amend the constitution to classify Sikhism as a separate religion.

April 2—Sikh gunmen kill a Hindu opposition leader in Amritsar, the Sikh holy city in Punjab; authorities announce a 2-day curfew.

April 3—Sikh terrorists kill a member of Parliament in the Punjabi capital of Chandigarh; in Amritsar, police kill 10 rioters and wound 50 others.

April 4—In New Delhi, protestors demonstrate against the killings in Punjab; opposition party members in Parliament call for the resignation of the government of Prime Minister Indira Gandhi.

April 7—In a letter released today, Harchand Singh Longowal, president of the Sikh political party Akali Dal, says that the conflict in Punjab is slipping out of control.

April 20—An Indian government spokesman says that Indian soldiers killed a Bangladeshi soldier after Bangladesh troops crossed the border and opened fire on Indian soldiers.

IRAN

(See *Intl, Iran-Iraq War*)

IRAQ

(See *Intl, Iran-Iraq War*)

ISRAEL

(See also *Lebanon*)

April 2—48 people are wounded when 3 Arab terrorists attack a crowd in downtown Jerusalem with guns and grenades; 1 Arab is killed and the other 2 wounded.

April 9—Police announce that 4 Jews have been arrested for planting grenade booby-traps outside Arab mosques and houses in recent months; several people have been wounded in the attacks.

April 12—Prime Minister Yitzhak Shamir wins the approval of his Likud bloc coalition to run in elections July 23.

April 13—4 Arab terrorists hijack an Israeli bus with 35 passengers; Israeli troops storm the bus and kill the terrorists and 1 passenger.

April 25—Israeli military authorities tell a correspondent for *The New York Times* that he has violated military censorship by reporting that 1 of the terrorists involved in the April 13 hijacking may have been executed by police after his capture.

April 26—The Israeli Foreign Ministry denies reports that it is providing arms captured from Palestinian guerrillas to anti-Sandinista guerrillas in Nicaragua.

April 27—It is reported that Defense Minister Moshe Arens has named a commission to inquire into the deaths of the 4 Palestinian hijackers killed April 13.

Senior Israeli officials say Israel will not aid U.S.-supported rebels in Nicaragua.

April 29—After a weekly Cabinet meeting, Prime Minister Shamir says Israel was saved from "a disaster" when security officers foiled an alleged Jewish extremist plot to bomb Arab-owned buses in Jerusalem. 30 Israeli suspects have been arrested.

JAPAN

April 7—In Washington, D.C., Minister of Agriculture Shinjiro Yamamura announces that U.S. farmers will henceforth be allowed to sell more citrus and beef to Japan.

KAMPUCHEA

April 15—Military and refugee aid officials in Thailand say that earlier today Vietnamese forces overran a village held by Kampuchean guerrillas; more than 30,000 refugees from

the village fled from the Vietnamese to Thailand.

LEBANON

(See also *U.S., Foreign Policy*)

April 1—Israeli artillery troops fire on Syrian-held territory in the Bekaa Valley in the first shelling in months by Israeli forces.

April 2—Foreign Minister Elie Salem meets in Beirut with a delegation from the Soviet Union.

April 4—Antoine Lahad takes command of the Israeli-backed South Lebanese militia; Lahad, a Maronite Christian, succeeds Major Saad Haddad, who died in January.

April 9—A meeting of warring factional leaders endorses a plan for a disengagement of forces in Beirut, to be policed by the Lebanese army.

April 12—Druse leader Walid Jumblat and other opposition leaders ask Syrian troops to enter Beirut to stop the factional fighting.

April 15—A U.S. professor and a French construction engineer who were kidnapped by Shiite Muslim militiamen 2 months ago are released unharmed in West Beirut.

April 19—President Amin Gemayel meets with Syrian President Hafez Assad in Damascus.

In Beirut, the first stage of the disengagement plan goes into effect; about 50 observation posts are manned to report cease-fire violations to a central committee representing all the warring factions.

April 20—1,500 Lebanese gendarmes move into position as the second stage of the disengagement plan is implemented; no fighting is reported.

April 26—President Gemayel asks former Prime Minister Rashid Karami, a Sunni Muslim, to serve as Prime Minister-designate in a new government of national reconciliation.

April 28—After heavy shelling by rival militias, the only crossing between East and West Beirut is closed "until further notice."

April 30—Rashid Karami forms a government.

LIBYA

(See also *U.K., Great Britain*)

April 18—Libyan troops and demonstrators end their protest at the British embassy in Tripoli; the demonstration stemmed from yesterday's shooting at the Libyan embassy in London.

April 19—Foreign Minister Ali Abdel Salam Turayki says that the shooting would not have occurred if the British had banned the demonstration.

April 22—The Foreign Ministry says that Britain has severed ties with Libya over the shooting in London "in obedience to Zionist and American pressures."

MALAYSIA

April 25—King Ahmad Shah ends his tenure as constitutional monarch; Sultan Mahmood Iskandar takes the oath as King tomorrow.

MEXICO

April 13—Foreign Minister Bernardo Sepulveda Amor denounces the mining of Nicaragua's ports.

NAMIBIA

April 15—2 U.S. diplomats are killed when a bomb explodes at a filling station; South Africa, which illegally occupies Namibia, charges that guerrillas of the South-West Africa People's Organization (SWAPO) set the bomb; SWAPO officials deny the charge.

April 17—U.S. Ambassador to South Africa Herman Nickel says that he thinks the killing of the 2 U.S. officials was not an assassination attempt but an act of random terror.

NICARAGUA

(See also *Intl, U.N.; Costa Rica; Israel; Mexico; U.K., Great Britain; U.S., Foreign Policy*)

April 2—The Supreme Court names 2 independent lawyers and a Sandinista to the 3-member election council that will oversee the November 4 elections for President, Vice President and a 90-member Parliament.

April 7—*The New York Times* reports that government officials have unofficially revealed that the U.S. Central Intelligence Agency (CIA) has supervised the mining of ports in Nicaragua; the CIA allegedly provides the mines and the boats to lay the mines but specially trained Latin American mercenaries carry out the actual mining.¹

April 9—The government announces that it is asking the World Court to rule on U.S. covert aid to guerrillas trying to overthrow the Nicaraguan government.

April 12—Nicaragua's chief of staff reports that he believes all the mines have been cleared from Nicaraguan harbors; about 12 ships have been damaged.

April 17—Congressional sources tell *The New York Times* that the CIA directed and aided mercenaries in the October 10 raid on the port of Corinto; more than 3.2 million gallons of fuel was destroyed and the town was evacuated.

The head of the Revolutionary Democratic Alliance (ARDE), the guerrilla group fighting the government from bases in Costa Rica, says that his troops have withdrawn from a town they captured last week; it was the 1st town they captured.

April 21—ARDE officials report that the CIA threatened to withhold money and aid if the guerrillas did not pursue CIA's objectives in Nicaragua.

April 25—Daniel Ortega Saavedra, Coordinator of the junta that rules the country, lashes out at the Roman Catholic Church hierarchy for releasing a pastoral letter that asks the government to begin a dialogue with the rebels.

April 28—U.S. government officials reveal that U.S. Air Force U-2 reconnaissance planes have flown over Nicaragua, but says the flights have been infrequent.

POLAND

April 6—Government officials in Garwolin announce that an agreement has been reached with Roman Catholic Church officials on crosses in government-owned schools and hospitals; crosses will be allowed in dormitories and reading rooms but not in classrooms.

SAUDI ARABIA

(See *Intl, Iran-Iraq War*)

SOUTH AFRICA

(See also *Namibia*)

April 3—Minister of Law and Order Louis Le Grange blames the banned African National Congress (ANC) for a car-bombing this morning in Durban; 3 people are killed and 16 are wounded.

April 21—A study of blacks in South Africa completed under the auspices of the U.S.-based Carnegie Foundation is made public at a conference in Cape Town: there has been a radical increase in the impoverishment of blacks because of the government's racial policies.

SPAIN

April 15—A military court sentences 3 army colonels to 12 years in prison for plotting a military coup in October, 1982.

SRI LANKA

April 11—Interior Minister Lalith Athulathmudali reports

that 5 guerrillas fighting for a separate Tamil state were killed today when they attacked an army post; this is the third clash between government troops and guerrillas in the northern city of Jaffna since yesterday, when 17 people were killed.

SUDAN

April 29—President Gaafar al-Nimeiry declares a state of emergency, declaring that Sudan's enemies have become "active" at home and overseas.

April 30—The President invokes broad emergency powers.

SWAZILAND

April 14—A police officer is killed in Mbabane when he tries to arrest suspected members of the African National Congress (ANC).

April 20—Police officials report that they killed 2 members of the ANC in a gunbattle near Mbabane; 5 other members surrender.

SYRIA

(See *Lebanon*)

TANZANIA

April 12—Prime Minister Edward Sokoine is killed in an auto accident near Morogoro.

April 21—In Zanzibar, election officials announce that Ali Hassan Mwinyi received 87.5 of the vote in elections held April 19; Mwinyi was the sole candidate for Zanzibar's presidency and had been serving as interim President since President About Jumbe stepped down in January.

April 24—President Julius K. Nyerere appoints Foreign Minister Salim Ahmed Salim as Prime Minister.

THAILAND

(See *U.S., Foreign Policy*)

TURKEY

April 17—The government sends Inal Batu to the Turkish Cypriot Republic; Batu will be the first ambassador to the country, which is recognized only by Turkey.

U.S.S.R.

(See also *Afghanistan; Egypt; Lebanon; U.K., Great Britain*)

April 3—A Soyuz T-11 spacecraft carrying 2 Soviet astronauts and India's first astronaut is launched into space to dock with the Salyut 7 space station.

April 5—Tass, the government press agency, dismisses U.S. President Ronald Reagan's call for a ban on chemical weapons.

April 9—*Pravda*, the Communist party newspaper, carries an interview with General Secretary Konstantin Chernenko, who says that he sees no signs that the U.S. is ready to begin to improve relations with the Soviet Union.

April 11—Konstantin Chernenko is named President of the Soviet Union.

April 12—First Deputy Prime Minister Geidar A. Aliyev introduces a school reorganization measure to the nominal legislature; the bill will increase spending for teachers salaries and channel more students into vocational education programs.

UNITED KINGDOM**Great Britain**

(See also *Libya*)

April 3—The Defense Ministry reports that 29 Soviet warships are conducting naval war games in the Norwegian Sea; the 29 ships are accompanied by support ships, submarines,

amphibious craft and Backfire bombers, the largest Soviet battle fleet ever assembled in the Norwegian Sea.

April 6—Andrew Burns, press counselor to the British embassy in Washington, D.C., says that the British government told the U.S. government earlier this week that it was concerned about the mining of Nicaraguan harbors and that it disapproved of any interference with international shipping.

April 16—Foreign Secretary Sir Geoffrey Howe meets in Beijing with Chinese Foreign Minister Zhao Ziyang to discuss the future of Hong Kong.

April 17—A policewoman is killed and 10 anti-Libyan protestors are wounded when someone fires a submachine gun into a crowd of demonstrators outside the Libyan embassy; police say the gunfire came from the embassy; they seal off the embassy after those inside refuse to surrender.

April 20—Foreign Secretary Howe says that Britain will not maintain any British administration in Hong Kong after it relinquishes sovereignty to China in 1997.

A bomb explodes at Heathrow Airport in London, wounding 23 people.

April 22—The government announces that it has broken off diplomatic relations with Libya and orders the occupants of the Libyan embassy to leave by April 29.

April 27—In London, the British siege of the Libyan embassy ends peacefully after 11 days. 30 occupants of the building, including the Libyan diplomats, return to Libya.

UNITED STATES

Administration

April 2—Washington, D.C., lawyer and law professor Jacob A. Stein is selected by a 3-judge panel of the U.S. Circuit Courts of Appeals to act as special counsel to conduct a broad inquiry into the charges of impropriety that have been made against Presidential Counselor Edwin Meese 3d, the President's nominee for the post of Attorney General.

April 3—At President Ronald Reagan's request, Attorney General William French Smith says he will remain in office until his successor is confirmed.

April 4—The Federal Bureau of Investigation (FBI) arrests former U.S. Army counterintelligence agent Richard Craig on charges of being a double agent.

April 9—The Occupational Safety and Health Administration proposes to reduce the amount of asbestos permitted in workplaces to about one-fourth the present permitted amount; the rules will appear in the Federal Register on April 10 and will remain in abeyance for 60 days.

April 13—Secretary of Health and Human Services Margaret Heckler announces the suspension of the department's disability review process and the reinstatement of disability benefits.

April 17—The American Petroleum Institute establishes stringent controls to reduce its members' toxic pollution discharges.

April 19—The FBI reports that serious crimes reported to the police in the U.S. dropped 7 percent in 1983.

April 23—In today's Federal Register, the Environmental Protection Agency (EPA) publishes its mandate limiting the amount of the pesticide ethylene dibromide (EDB) that may remain in grain-based foods offered for sale.

April 24—The U.S. Court of Appeals for the District of Columbia rules that the National Highway Traffic Safety Administration acted improperly when it suspended its standards for tire wear on February 2, 1983.

April 27—Victor M. Thompson follows yesterday's resignation as president of the Synthetic Fuels Corporation by resigning from the corporation, leaving the body without a quorum; he is alleged to have made improper financial dealings before joining the corporation.

In U.S. district court, the Swedish Datasaab Contracting A.B. is fined \$3.1 million for illegally exporting sophisticated U.S. radar equipment to the Soviet Union.

April 30—Federal Trade Commission regulations go into effect on funeral homes, requiring them to provide an itemized list of all services and costs in advance.

Civil Rights

April 15—In Winston-Salem, 6 Ku Klux Klan members and 3 American Nazi party members are acquitted of charges that they violated the civil rights of 5 Communist Workers party members when the members were killed during a demonstration in Greensboro, North Carolina, in 1979.

Economy

April 5—Most of the nation's leading banks raise their prime rate to 12 percent.

April 6—The Labor Department reports that the nation's unemployment rate remained at 7.7 percent in March.

The Federal Reserve Board raises its discount rate to 9 percent.

April 13—The Labor Department reports that its producer price index rose 0.5 percent in March.

April 19—The Commerce Department reports that the nation's gross national product (GNP) grew at an 8.3 percent annual rate in the 1st quarter of 1984.

April 24—The Labor Department reports that its consumer price index rose 0.2 percent in March.

April 27—The Commerce Department reports that the nation's foreign trade deficit reached a record \$10.3 billion in March.

April 30—The Commerce Department reports that its index of leading economic indicators declined 1.1 percent in March.

Foreign Policy

(See also *Intl. U.N.; Canada; China; El Salvador; Germany, West; Honduras; Japan; Lebanon; Nicaragua; U.S.S.R.; U.K.; Great Britain*)

April 3—Secretary of State Shultz says that Western countries must consider preemptive action against "known terrorist groups" and "state-supported terrorism."

April 4—In a television broadcast, President Reagan insists that Congress "must take a responsibility" for the U.S. failure in Lebanon.

April 11—Deputy Secretary of State Kenneth Dam refuses to admit that the U.S. Central Intelligence Agency (CIA) supervised the mining of Nicaraguan harbors but he defends such an action on the grounds of "collective self-defense."

April 12—Defense Department spokesman Michael Burch says "we cannot substantiate any of the statements" claiming that 5 U.S. advisers in El Salvador accompanied Salvadoran military on military missions and "targeted or bombed" guerrilla positions.

April 13—President Reagan announces that the U.S. will sell 40 M-48 tanks to Thailand.

Using his "draw-down authority," President Reagan authorizes some \$32 million in new military aid to El Salvador because Congress recessed without approving the aid.

April 15—Senator Patrick Moynihan (D., N.Y.) announces his resignation as vice chairman of the Senate Select Committee on Intelligence because the CIA failed to inform the committee about its part in the mining of Nicaraguan harbors.

April 18—Addressing the Geneva Conference on Disarmament, Vice President George Bush presents U.S. proposals for the banning of chemical weapons in warfare: all countries would agree "to open for international inspection . . . [within 24 hours] all of its military or government-owned and government-controlled facilities."

April 20—It is reported that a U.S. Army helicopter has been fired upon by Soviet-built planes of “unknown nationality.”

The State Department reports that it has warned the ambassadors of Bulgaria, Czechoslovakia, East Germany, Hungary, Poland and Romania that their relations with the U.S. will not improve if they support “international terrorists” and the PLO (Palestine Liberation Organization) and are involved in espionage.

April 22—President Reagan arrives in Honolulu on the start of his trip to China.

April 25—The State Department urges all countries to avoid nuclear cooperation with Iran, particularly while the Iran–Iraq war continues.

April 26—Senator Daniel Moynihan (D., N.Y.) withdraws his formal resignation as vice chairman of the Senate Select Committee on Intelligence after CIA Director William Casey apologizes for not keeping the committee properly informed about covert CIA activities in Nicaragua.

April 27—Portions of President Reagan’s speech in Beijing are censored by the Chinese before the speech is broadcast on television. The passages deal in part with U.S. policy toward the Soviet Union.

April 28—When Chinese leader Deng Xiaoping asks President Reagan to urge Taiwan toward unification with the People’s Republic, the American President states that “this is a problem for the Chinese people . . . themselves.”

The Chinese again censor remarks about the Soviet Union President Reagan made in an interview for Chinese television viewers.

April 30—President Reagan and Chinese Prime Minister Zhao Ziyang formally sign tax and cultural exchange agreements and witness the signing of an industrial nuclear cooperation agreement between the U.S. and China. The tax and nuclear agreements must be ratified by the U.S. Senate.

President Ronald Reagan leaves China for Alaska at 10:40 PM EDT.

The Treasury Department extends for 1 month its offer of \$300-million short-term financing to Argentina to enable Argentina to meet International Monetary Fund (IMF) conditions for paying its foreign debt; 4 other Latin American countries also extend their collection dates on Argentine loans.

Labor and Industry

April 18—The Public Service Company of New Hampshire halts all construction work on the Seabrook nuclear facility because of impending bankruptcy; some 5,200 workers are laid off.

U.S. district court Judge Frank McGarr holds the Standard Oil Company (Indiana) liable “to the full extent” for damages caused by the 1978 sinking and oil spill from the *Amoco Cadiz* on the Brittany Coast; the French government and individuals were claimants in the action.

Legislation

(See also *Foreign Policy*)

April 3—Voting 379 to 11, the House completes congressional action on a farm bill that will pay wheat farmers who limit their production this year and next.

April 5—Responding to President Reagan’s criticism that congressional criticism undermined U.S. policies in Lebanon, House Speaker Thomas P. O’Neill (D., Mass.) charges that the deaths of the Marines “lie on him and the defeat in Lebanon lies on him and him alone.”

April 10—In a nonbinding resolution, the Senate votes 84 to 12 to oppose the use of federal funds to mine Nicaraguan harbors.

President Reagan signs the bill aimed at curbing wheat production.

April 11—The House Foreign Affairs Committee votes 32 to 3 to oppose the use of government funds to mine Nicaraguan harbors.

Military

April 10—In the Defense Department’s annual assessment of Soviet military power released today, Secretary of Defense Caspar Weinberger says that “quantitatively, we’re behind in a large number of conventional categories”; but, he says, the U.S. is seeking “qualitative improvement.”

Political Scandal

April 2—A U.S. district court jury finds Representative George Hansen (R., Idaho) guilty on 4 counts under the Ethics in Government Act of 1978 for filing false financial statements from 1978 to 1981.

Politics

April 3—By a large margin, former Vice President Walter Mondale wins the New York State Democratic presidential primary over Senator Gary Hart (D., Colo.) and Jesse Jackson.

April 10—In Pennsylvania’s Democratic Presidential primary, Mondale wins again with a large plurality.

April 27—Walter Mondale announces that he will return some \$300,000 to political action committees that contributed support to his campaign because of doubts raised about the legality of the contributions.

Science and Space

April 13—The *Challenger* space shuttle lands after a successful 7-day flight during which it repaired a crippled satellite and reset it in orbit.

April 24—The Congressional Office of Technology Assessment reports that a successful space-based antimissile system is “so remote that it should not serve as a basis of public expectation or national policy.”

Supreme Court

April 2—The Supreme Court agrees to rule on whether a “moment of silence” in public schools is unconstitutional.

April 30—Without comment, the Court denies a request that it rule on the legality of Political Action Committee (PACs) funding of candidates before the November 6 election.

Terrorism

April 26—President Reagan sends Congress a 4-bill package of proposed legislation aimed at combating international terrorism.

URUGUAY

April 15—The military government closes down an opposition newspaper and a magazine.

VIETNAM

(See also *China; Kampuchea*)

April 6—Foreign Minister Nguyen Co Thac says that Vietnam is ready to discuss relations with China; he says China is “the main threat to Southeast Asia.”

April 7—Vietnamese diplomats in Beijing tell Western reporters that 2,000 Chinese troops have crossed the border into Vietnam; China denies the reported invasion.

ZIMBABWE

April 15—Roman Catholic bishops publicly release their report on atrocities by government troops in Matabeleland.

April 16—Mugabe accuses foreign reporters of trying to discredit him by reports of atrocities.

MAY, 1984

INTERNATIONAL

Arab League

May 20—Ending a 1-day meeting in Tunis, the 21-member group overrules Syria and Libya to pass a resolution accusing Iran of aggression against Saudi and Kuwaiti oil tankers; the resolution does not mention Iraq's attacks on Persian Gulf shipping.

European Economic Community

(See *France*)

International Monetary Fund (IMF)

(See *Dominican Republic*)

Iran-Iraq War

(See also *Arab League; Japan; U.S., Foreign Policy*)

May 8—An Iraqi military spokesman says that Iraqi warplanes attacked 2 ships in the Persian Gulf after they left Iran's Kharg Island oil terminal.

May 16—The Saudi Arabian government reports that Iranian airplanes attacked and set afire a Saudi tanker off the coast of Saudi Arabia; Kuwait has accused Iran of attacking 2 of its tankers on May 13 and 14.

May 19—The U.S. State Department reports that a Panamanian-registered cargo ship was sunk by Iraqi warplanes yesterday.

Iraqi First Deputy Prime Minister Taha Yasin Ramadan says that Iraq has cut Iran's oil exports by 55 percent with its blockade of Iran's main oil terminal at Kharg Island.

May 24—The Iraqi government says that its planes attacked 2 tankers leaving Kharg Island; Iran retaliates by attacking an oil tanker off the coast of Saudi Arabia.

May 29—Iranian President Ali Khamenei says that Iran will "resist and fight" any U.S. intervention in the Persian Gulf; the U.S. recently sent 400 Stinger antiaircraft missiles to Saudi Arabia.

May 30—The official Iraqi press agency reports that Turkish Prime Minister Turgut Ozal has said he is ready to mediate an end to the war if both sides consent to the mediation effort.

May 31—Iran offers shippers a \$1.50-a-barrel discount on oil picked up from Kharg Island; the discount is to offset increased insurance rates on oil tankers entering the Persian Gulf.

North Atlantic Treaty Organization (NATO)

(See *U.S., Foreign Policy*)

Organization for Economic Cooperation and Development (OECD)

May 17—U.S. Treasury Secretary Donald Regan tells the annual meeting of the OECD that the U.S. would reject any proposal to cap interest rates on loan payments by indebted third world nations.

United Nations (UN)

(See also *Cyprus; U.S., Foreign Policy*)

May 10—The International Court of Justice (World Court) rules unanimously that the U.S. should immediately stop any attempts to mine or blockade the ports of Nicaragua.

AFGHANISTAN

May 1—Quoting sources in the Panjshir Valley, Western

diplomats at a weekly briefing for journalists in New Delhi report that Soviet troops have captured about half the valley.

ANGOLA

(See *South Africa*)

ARGENTINA

May 10—President Raúl Alfonsín tells an interviewer that rising U.S. interest rates "jeopardize Argentina's social peace."

May 20—Former President Isabel Martinez de Perón, formal head of the opposition Peronist party, returns to Argentina from Spain.

BANGLADESH

May 2—Almost 15,000 lawyers begin a week-long strike to protest military rule.

May 8—A military spokesman in Dhaka reports that India has agreed to stop building barbed wire fencing along the Indian-Bangladeshi border.

May 12—Lieutenant General H.M. Ershad, the military ruler of Bangladesh, announces that parliamentary and presidential elections planned for May 27 have been postponed until the winter.

BRAZIL

May 2—In Brasília, President João Baptista Figueiredo suspends the 60-day state of emergency that was imposed April 18.

BULGARIA

May 9—The government announces that Bulgaria will not participate in the 1984 Olympic Games in Los Angeles.

CAMEROON

May 9—Government officials in Yaounde reveal that military trials and executions are taking place in the aftermath of last month's attempted coup.

CANADA

May 14—Former Cabinet Minister Jeanne Sauvé is invested as Governor General.

Canada protests to the U.S. State Department about a U.S. proposal to sell offshore oil leases in areas off southern Alaska; U.S. ownership of some of the region is contested by British Columbia.

CHILE

May 1—Riot police fire into a crowd of demonstrators at a May Day rally, wounding 30; 80 people are arrested.

May 16—The military government establishes a nightly curfew in metropolitan Santiago and formalizes the arrest powers of the secret police after a series of bombings in 3 cities.

CHINA

(See also *Vietnam*)

May 1—The official New China News Agency declares that Taiwan remains a stumbling block in relations between China and the U.S. despite the "significant step forward" of U.S. President Ronald Reagan's visit.

The Communist party newspaper *People's Daily* reports that Vietnamese troops are poised for an invasion of China.

May 5—Palestine Liberation Organization (PLO) leader Yasser Arafat receives a 19-gun salute when he arrives in Beijing for a 3-day visit.

May 25—Deng Xiaoping, the head of state, says that Chinese troops will be stationed on Hong Kong after China takes over the colony from Britain in 1997.

May 29—Prime Minister Zhao Ziyang leaves for a 6-nation tour of West Europe.

COLOMBIA

May 1—President Belisario Betancur declares a nationwide state of siege after yesterday's assassination of Minister of Justice Rodrigo Lara Bonilla; officials speculate that Bonilla was killed because of his campaign against the multibillion-dollar drug trade.

May 8—A truce between the government and the country's largest guerrilla group, the Colombia Revolutionary Armed Forces, goes into effect; the guerrillas have agreed to give President Betancur 1 year to improve conditions for the poor.

COSTA RICA

(See also *El Salvador*; *Nicaragua*)

May 3—Nicaraguan troops clash with Costa Rican security forces on the Costa Rican border.

May 5—In San José, officials reveal that they have asked the U.S., Taiwan, Panama and Venezuela to help upgrade their security forces.

CUBA

May 23—The government announces it is withdrawing from the 1984 Olympic games.

CYPRUS

May 4—President Spyros Kyprianou asks the UN Security Council for "urgent and effective measures" to stop the partition of Cyprus by Turkish Cypriots.

DOMINICAN REPUBLIC

May 25—A government spokesman says that loan negotiations with the International Monetary Fund (IMF) were suspended yesterday after the government rejected an IMF demand that gasoline prices be increased by 50 percent.

ECUADOR

May 6—León Febres Cordero Rivadeneira, candidate of the conservative National Reconstruction Front, wins a slim margin of victory in today's presidential runoff election, according to unofficial returns.

EGYPT

May 29—Official results for the May 27 parliamentary elections give President Hosni Mubarak's National Democratic party 87.3 percent of the vote and 391 of 448 contested seats.

EL SALVADOR

(See also *U.S.*, *Foreign Policy*, *Legislation*)

May 11—The Central Elections Council declares that José Napoleón Duarte won the May 6 presidential runoff election with 54 percent of the vote. The right-wing National Republican Alliance (Arena) refuses to accept the Duarte victory.

May 21—In Washington, D.C., President Duarte promises he will "never" ask American troops to fight in El Salvador; he also asks the U.S. Congress for more aid to El Salvador without conditions.

May 22—A special prosecutor for the government says that the army lieutenant accused of ordering the killing of 2 U.S. labor advisers in 1981 was acquitted last week by an appeals court.

May 24—5 former national guardsmen are found guilty by a civilian court of murdering 4 U.S. churchwomen in 1980; it is the 1st time a jury has convicted any member of the armed forces for political murder.

May 26—Guillermo Ungo, head of the political wing of the guerrillas, says that Costa Rica has agreed to help arrange an "open dialogue without preconditions" between the guerrillas and the government of President-elect Duarte.

May 29—Provisional President Alvaro Magaña says that the U.S. Federal Bureau of Investigation (FBI) has trained a special Salvadoran security unit to investigate death squad activities.

ETHIOPIA

(See also *Sudan*)

May 7—In Washington, D.C., Tesfaye Demeke, the Ethiopian chargé d'affaires, asks for political asylum.

May 16—In Mogadishu, the Eritrean People's Liberation Front alleges that its troops killed some 700 Ethiopian soldiers around its encampment at Nakfa May 12–13.

FRANCE

May 24—In a speech before the European Parliament in Strasbourg, President François Mitterrand calls for the renegotiation of the constitution of the Common Market.

GERMANY, EAST

(See *U.S.S.R.*)

GERMANY, WEST

(See *U.S.S.R.*)

GREECE

May 22—Prime Minister Andreas Papandreou denounces the stockpiling of U.S. nuclear weapons in Greece as "a provocation" and "a true threat to the welfare of the Greek people." The weapons are in Greece under NATO auspices.

GUATEMALA

(See *Mexico*)

HAITI

May 5—In a Press Day speech, President Jean-Claude Duvalier pledges respect for human rights and a free press.

May 10—The government issues 2 decrees that end all political activity, including pamphleteering.

May 30—Government officials say that troops killed 3 people in rioting yesterday in Cap-Haïtien, but residents of the city tell journalists that 10 people were killed after they stormed an international relief agency's food warehouse.

May 31—President Duvalier dismisses 5 ministers from his Cabinet.

HONDURAS

May 11—The government expels Nicaragua's ambassador to Honduras in apparent retaliation for Nicaragua's downing of a Honduran helicopter over Nicaraguan territory on May 8.

HUNGARY

May 16—The government announces that it will not participate in the 1984 Olympic Games.

INDIA

(See also *Bangladesh*)

May 11—The government releases almost 200 militant Sikhs

from prison in an effort to calm tension in Punjab state.

May 14—U.S. Vice President George Bush meets with Prime Minister Indira Gandhi in New Delhi.

May 21—After 4 days of fighting between Hindus and Muslims, the army patrols in Bombay; the death toll reaches 107 and fire leaves 7,000 people homeless.

May 23—Police officials report that at least 35 people were killed today as riots continued between Hindus and Muslims; another 1,000 troops are sent into Bombay.

May 27—Police say that they are in control of the state of Maharashtra, where the Hindu-Muslim fighting began; they report at least 223 people have been killed in the fighting.

May 30—Sikh terrorists kill 12 people in the state of Punjab; 7 people were killed yesterday by Sikhs.

IRAN

(See *Intl, Arab League, Iran-Iraq War*)

IRAQ

(See *Intl, Arab League, Iran-Iraq War*)

ISRAEL

(See also *Syria*)

May 20—Israeli planes bomb allegedly pro-Iranian Shiite guerrilla bases in the Bekaa Valley of Lebanon.

May 21—Prime Minister Yitzhak Shamir declares that the Jewish settlers who reportedly confessed to terrorist acts against West Bank Arabs "will be brought to trial." 26 Israelis, most from the West Bank and the Golan Heights, have been arrested since April 27.

May 24—The State Attorney's office brings criminal charges against 2 Israeli army officers in connection with the 1980 bombing attacks on 3 Arab mayors; 2 of the mayors were crippled in the attack by Jewish terrorists.

May 28—The Defense Ministry announces that 2 Arab hijackers were beaten to death by security forces after they were captured last month; a criminal investigation by the military and civilian police is planned.

May 30—At a news conference in Washington, D.C., Defense Minister Moshe Arens says that relations between the U.S. and Israel are "probably better than ever before."

JAPAN

(See also *U.S., Foreign Policy*)

May 26—The country's major shipping companies and maritime unions issue a joint statement saying that Japanese oil tankers will not be allowed to dock in Kuwait and northern Saudi Arabia; the new restriction follows Iran's attack on a Japanese-chartered oil tanker off Saudi Arabia on May 24.

KOREA, NORTH

(See *U.S.S.R.*)

KUWAIT

(See *Intl, Arab League, Iran-Iraq War*)

LEBANON

(See also *Israel*)

May 5—Heavy shelling between Christian and Muslim factions continues in Beirut.

May 10—9 of the 10 Cabinet members appointed by Prime Minister Rashid Karami meet with President Amin Gemayel in a Christian-controlled suburb of Beirut.

May 19—After a 4-hour meeting, Prime Minister Karami says

that the Cabinet has agreed on a policy for ending Lebanon's civil strife; the policy will not be made public until the Prime Minister and his Cabinet receive a vote of confidence from the Parliament.

LIBYA

(See also *Tunisia; U.K., Great Britain*)

May 8—A plot to assassinate Libyan leader Muammar Qaddafi is foiled.

May 9—Libyan exiles in London say that the 15 guerrillas who tried to murder Qaddafi yesterday were killed in the attack.

May 13—The government announces that the leader of the attempted coup against Qaddafi has been found and killed.

MEXICO

(See also *U.S., Foreign Policy*)

May 2—An Interior Ministry official reports that Mexico plans to move 46,000 Guatemalan refugees from the border area to a location farther inside the country.

NICARAGUA

(See also *Intl, UN; Costa Rica; Honduras; U.S., Foreign Policy, Legislation*)

May 15—Nicaraguan and Costa Rican foreign ministers sign an agreement aimed at lessening border tensions.

May 24—The government announces that opposition parties will be allowed 12 weeks to campaign for elections scheduled for November 4; spokesmen for some of the opposition parties say they will not participate unless "laws that violate human rights" are repealed.

May 30—Edén Pastora Gómez, head of one of the guerrilla groups fighting to overthrow the government, is wounded when a bomb explodes at a news conference in southern Nicaragua; 6 other people are killed, including a U.S. journalist. No group takes responsibility for the attack.

PANAMA

May 6—For the 1st time in 16 years, presidential elections take place in Panama.

May 7—In violence after the election, 1 person is killed and 8 are reported wounded.

May 16—The 3-member Supreme Election Tribunal names Nicolás Ardito Barletta the winner in the May 6 election despite continuing challenges from opposition candidates.

PHILIPPINES

May 14—Elections are held for seats in the National Assembly.

May 18—With about 70 percent of the ballots counted, the ruling party, the New Society Movement led by President Ferdinand E. Marcos, is reported to be winning more seats than Marcos's opponents.

President Marcos orders all 28 Cabinet members to resign by June 30; he says those defeated in the elections should not expect to be reappointed.

POLAND

May 1—During May Day celebrations in Warsaw, Lech Welesa and other supporters of the outlawed Solidarity labor union unexpectedly join the march; demonstrations become street clashes in Warsaw and in Czeszochowa, Szczecin, Wrocław, Nowa Huta and Gdansk.

May 3—An impromptu demonstration for Solidarity is stopped by police in Warsaw.

May 4—General Wojciech Jaruzelski, the Prime Minister, signs a 15-year financial agreement with the Soviet Union. No details are released.

May 17—The government announces that it will not allow its athletes to take part in the 1984 Olympic Games.

PORTUGAL

May 20—Trade Minister Alvaro Barreto announces an 18 to 20 percent rise in the price of bread and milk, part of a plan to reduce government deficits.

ROMANIA

May 24—Alexandru Siperco, vice president of the Romanian National Olympic Committee, tells reporters that Romanian athletes will take part in the 1984 Olympics; Romania is the only Soviet-bloc country that will participate.

SAUDI ARABIA

(See *Intl, Arab League; U.S., Foreign Policy*)

SOUTH AFRICA

(See also *Zambia*)

May 14—The African National Congress (ANC) takes responsibility for a rocket attack on an oil refinery in Durban May 13; the attack led to a battle between ANC rebels and the police.

May 21—Zambian officials report that Foreign Minister Roelof F. Botha and senior Angolan officials met in Lusaka today to discuss a South African troop withdrawal from Angola.

May 28—Prime Minister P.W. Botha leaves for an 8-nation tour of West Europe; it is the 1st official journey to West Europe by a South African Prime Minister in 20 years.

SOUTHERN YEMEN

May 26—The government announces that it is joining the Soviet Union in boycotting the 1984 Olympics; it is the 1st Arab nation to join the boycott.

SPAIN

May 10—King Juan Carlos and Queen Sofia are welcomed in Moscow at the start of a state visit to the U.S.S.R.

May 23—Attorney General Luis Antonio Burón Barba announces that the president of the Catalan regional government, Jordi Pujol, is being charged with misappropriating funds when he was chairman of a Catalan bank that collapsed in 1982.

SRI LANKA

May 15—Americans Stanley Allen and his wife Mary are released unharmed; they were kidnapped by 8 armed guerrillas in northern Sri Lanka on May 11.

SUDAN

May 2—Six of 21 Cabinet members are fired by President Gaafar Nimeiry without official explanation.

May 5—UN and Ethiopian officials report that some 40,000 Sudanese refugees have crossed the border into Ethiopia in the past 6 months to escape famine and fighting.

SYRIA

(See also *Intl, Arab League*)

May 3—In Damascus, a Syrian official says that the 3 Israelis captured by Syrian troops in Lebanon May 1 have confessed to taking part in espionage.

TUNISIA

May 16—The Tunisian ambassador to Libya is recalled to protest Libyan charges that Tunisia is providing a base for a campaign to destabilize the Libyan regime.

May 18—In Tunis, officials report that Tunisian forces have been strengthened on the Libyan border in response to an alleged Libyan troop buildup.

TURKEY

(See *Intl, Iran-Iraq War*)

U.S.S.R.

(See also *Afghanistan; Poland; Romania; Spain; U.S., Foreign Policy*)

May 1—President Konstantin U. Chernenko reviews the May Day parade in Moscow's Red Square.

May 8—The government announces that the Soviet Union will not participate in the 1984 summer Olympic Games in Los Angeles because the U.S. is guilty of the "gross flouting of Olympic ideals." The government has been protesting that anti-Soviet groups plan to stage demonstrations in Los Angeles during the games.

May 14—In Moscow, the Defense Ministry announces that additional tactical missiles are being placed in East Germany to counter the alleged American military buildup in West Germany.

May 18—Soviet authorities maintain strict censorship on news about physicist and Nobel peace prize winner Andrei D. Sakharov, who began a hunger strike 16 days ago to protest Soviet refusal to let his ailing wife leave the Soviet Union to go abroad for medical treatment.

May 19—In a letter to U.S. scientists reported by Tass, President Chernenko suggests that the U.S. and the U.S.S.R. sign a treaty banning weapons in outer space; the letter urges the U.S. to give up its plans for outer space weaponry.

May 20—The government newspaper *Izvestia* suggests that Yelena G. Bonner, Sakharov's wife, is guilty of "anti-Soviet activities" and implies that she faces criminal charges.

Defense Minister Dmitri F. Ustinov says that the Soviet Union is increasing the number of SS-20 missiles it is placing in European Russia and reports that more missile-carrying submarines have been added to the Soviet presence off the U.S. Atlantic and Pacific coasts.

May 21—During a luncheon for West German Foreign Minister Hans-Dietrich Genscher, Foreign Minister Andrei Gromyko says the Soviet negotiators will not return to arms control talks until U.S. intermediate-range nuclear missiles have been removed from West Europe.

May 25—North Korean President Kim Il Sung ends his visit to Moscow after holding a 3d round of talks with President Konstantin U. Chernenko.

May 31—The president of the International Olympic Committee leaves Moscow after he is unable to convince the government to reconsider its decision to boycott the 1984 Olympics.

UNITED KINGDOM**Great Britain**

(See also *China*)

May 1—Prime Minister Margaret Thatcher announces that she has ordered security agencies to review the government's handling of the crisis at the Libyan embassy in April, in which a British policewoman was killed.

May 3—2 Libyan students are deported and the police complete their search of the empty Libyan embassy.

May 4—In several major cities, including Birmingham, Thatcher's Conservative party loses to the Labor party in local elections.

May 30—23 pickets and policemen are injured in fighting between striking miners and police near Sheffield; yesterday 27 strikers and 37 policemen were injured in fighting; 82 strikers were arrested, including the president of the National Union of Mineworkers, Arthur Scargill.

Northern Ireland

May 23—The Official Unionist party, the largest political party in Northern Ireland, announces that it is ending its

6-month boycott of the provincial assembly that was set up to promote power-sharing between Roman Catholics and Protestants.

UNITED STATES

Administration

- May 1—Secretary of Housing and Urban Development Samuel Pierce Jr. reports that a study by his department puts the number of homeless in the U.S. at 250,000 to 350,000, a smaller figure than was previously estimated.
- May 7—In U.S. district court in Brooklyn, 7 manufacturers of the herbicide Agent Orange agree to create a \$180-million fund to cover illness and genetic damage suffered by veterans of the Vietnam War; damage suits by veterans groups against the involved companies are dropped.
- May 9—Chairman of the President's Council of Economic Advisers Martin Feldstein announces his resignation as of July 10.
- May 10—U.S. district court Judge Bruce Jenkins rules in Salt Lake City that the U.S. government was negligent in conducting aboveground nuclear tests in the 1950's in Utah and Nevada; he finds that 9 people died of cancer as a result of the tests.
- May 14—U.S. district court Judge Harold Greene orders Attorney General William French Smith to appoint an independent counsel to investigate the possibly improper transfer of documents from the Carter White House to the 1980 presidential campaign staff of Ronald Reagan.
- May 18—Presidential special envoy to the Middle East Donald Rumsfeld resigns; his position will not be filled.
- May 23—The House Subcommittee on Human Resources reports that its investigations have shown that a "credible witness" "corroborated" the statement of White House chief of staff James Baker 3d, who said that Carter briefing materials had been obtained through the present director of the Central Intelligence Agency, William Casey.
- May 24—At a ground-breaking ceremony for an addition to CIA headquarters in Langley, Virginia, President Reagan praises the work of Casey as "an inspiration to your fellow Americans."
- May 25—Casey says that charges contained in the House report of May 23 are "politically motivated."
- May 28—Presiding over a state funeral, President Reagan awards the Medal of Honor to an unknown soldier who was killed 11 years ago in Vietnam; the body is interred in the Tomb of the Unknowns.

Economy

- May 4—The Labor Department reports that the nation's unemployment rate remained unchanged at 7.7 percent in April.
- May 8—Most of the nation's leading banks raise their prime lending rate to 12.5 percent.
- May 11—The Labor Department reports that its producer price index remained unchanged in April.
- May 18—The Commerce Department reports that the nation's gross national product (GNP) rose at an 8.8 percent annual rate in the 1st quarter of 1984.
- May 22—The Labor Department reports that its consumer price index rose 0.5 percent in April.
- May 30—The Commerce Department reports that the U.S. trade deficit in April was \$12.2 billion; this is the 4th consecutive record monthly deficit.
- May 31—The Commerce Department releases its index of leading economic indicators, which shows an increase of 0.5 percent.

Foreign Policy

(See also *Intl*, *Iran-Iraq War*, *OECD*, *UN*; *Argentina*; *Canada*; *China*; *Costa Rica*; *El Salvador*; *Greece*; *India*; *Israel*; *U.S.S.R.*)

- May 1—Returning to Alaska from his six-day China trip, President Reagan says that he advanced ties between the U.S. and China.
- May 2—President Reagan meets with Pope John Paul II in Fairbanks, Alaska.
- May 3—Senator Jesse Helms (D., N.C.) confirms that he wrote President Reagan urging the recall of U.S. Ambassador to El Salvador Thomas Pickering for "consistently taking action that supports only one candidate and manipulating the electoral process . . . in the upcoming elections in El Salvador."
- May 8—State Department spokesman John Hughes calls the Soviet decision to boycott the Olympic Games in Los Angeles this summer "a blatant political action for which there was no real justification."
- May 9—In a nationwide television address, President Reagan calls for increased aid for Central America; he says rejection of his request would mean that "the Communists will likely succeed" in overrunning El Salvador.
- May 10—State Department spokesman Hughes says that the ruling of the World Court calling for the end of U.S. aid in the mining of Nicaragua's harbors is acceptable to the U.S. and consistent with "current" U.S. policy toward Nicaragua.
- May 13—According to the Congressional Research Service, the U.S. exported some 32 percent of all weapons sold to developing countries in 1983; the Soviet Union exported 17 percent of the total.
- May 14—Mexican President Miguel de la Madrid arrives in Washington, D.C., for conferences with President Reagan.
- May 15—President Reagan and President de la Madrid confer about Central America; President Reagan warns of the Communist threat to Central America and de la Madrid warns of the "risk of a generalized war. . . ."
- May 16—President de la Madrid tells Congress the conflicts in Central America have economic and political roots aside from Communist infiltration and should not be part of "East-West confrontation"; he also warns that "a uniform democratic life cannot be imposed on anyone."
- May 17—President de la Madrid concludes his visit to the U.S.
- May 19—Defense Secretary Caspar Weinberger ends a one-week trip to Europe and North Africa during which he signed accords extending U.S. use of mid-Atlantic air bases.
- May 21—The State Department says that President Reagan sent a letter to Saudi Arabian King Fahd offering to help Saudi Arabia and Persian Gulf countries guard shipping in the Persian Gulf.
- May 22—At a news conference, President Reagan says that the U.S. is consulting with its allies about possible military aid to protect Persian Gulf shipping.
- May 23—The White House discloses that at the request of Saudi Arabia, the President is considering the sale of 1,200 portable Stinger anti-aircraft missiles to Saudi Arabia.
- May 29—Treasury Secretary Donald Regan announces that the U.S. and Japan have reached a financial agreement whereby Japan will loosen controls on its domestic capital market and promote the yen as an international currency.
- The State Department announces that President Reagan has authorized the transfer of 400 Stinger anti-aircraft missiles and an Air Force aerial tanker to Saudi Arabia.
- May 30—State Department officials report that the U.S. has

filed a formal protest with the Soviet Union over the physical assault on an American diplomat in Leningrad last month by a group of young men.

May 31—President Reagan says that the U.S. is ready to negotiate with the Soviet Union on arms control at any time; his remarks follow a meeting with NATO foreign ministers in Washington, D.C.

Labor and Industry

May 17—Continental Illinois National Bank and Trust Company of Chicago, the country's 8th largest bank, is promised \$7.5 billion in aid by the federal government and a consortium of banks; large withdrawals by foreign depositors threatened the bank.

Legislation

May 15—It is reported by congressional sources that in an "Eyes Only" letter to Senate majority and minority leaders, chairman of the Senate Intelligence Committee Barry Goldwater (R., Ariz.) issued a rebuke to Jesse Helms for disclosing secret information which violates the rules of the Senate.

In a 270-151 vote the House fails to provide the necessary two-thirds majority to pass the Equal Access Act, a bill that would permit "student initiated" religious groups to meet on school property.

The Senate Foreign Relations Committee votes 11 to 6 against the President's nomination of Leslie Lenkowsky as deputy director of the U.S. Information Agency.

May 16—The House votes 229 to 199 in favor of an amendment to a \$208-billion Defense Department bill that will permit the \$1.8-billion financing of 15 MX missiles under certain arms control restrictions.

May 17—The House votes 247 to 179 against an amendment to the \$208-billion Defense Department bill which would have authorized \$95 million for the production of nerve gas weapons.

May 24—The Senate and the House approve bills raising the national debt limit by \$30 billion to \$1,520 billion; Congress will have to act by its recess date of June 29 to increase the debt limit further.

Voting 267 to 154, the House of Representatives approves \$61.75 million in emergency military aid for El Salvador; it then votes 241 to 177 to ban further financing through the Central Intelligence Agency for guerrillas trying to overthrow the Nicaraguan government.

May 25—The President signs the debt-limit bill.

May 31—The House of Representatives votes 226 to 173 to block financing of the "Project Democracy" program; the project is designed to provide money to pro-Western political parties and labor and business groups in other countries.

Politics

May 1—Walter Mondale wins the Tennessee Democratic presidential primary with 42 percent of the vote.

May 8—Mondale wins primaries in Maryland and North Carolina. Gary Hart narrowly wins in Ohio and Indiana.

May 15—Hart wins the primary in Nebraska.

Supreme Court

May 14—The Supreme Court overrules a lower court in an 8-1 decision and sets standards for deciding whether or not a criminal defendant has received effective counsel as guaranteed by the Constitution.

By a 4-3 vote, the Court rules that an applicant who fails his state bar examination cannot sue the state's bar examiners under the Sherman Antitrust Act.

In a major retreat from the doctrine of absolute judicial immunity, the Court rules 5 to 4 that state judges can be sued for civil rights violations and are liable to pay the lawyer's fees of the plaintiff.

May 21—The Court rules unanimously that the government can recover federal funds from a recipient who received the funds because of a government mistake.

In another unanimous ruling, the Court upholds the Washington State Supreme Court's ruling that parties to a civil lawsuit may be barred from disclosing pretrial information.

May 22—The Court rules unanimously that law firms cannot discriminate on the basis of sex, religion or national origin when deciding on who to promote in the law firm; the ruling reinstates the discrimination suit of a woman attorney who contends she was rejected for partnership in an Atlanta law firm because she was a woman.

May 30—In an 8-0 ruling, the Supreme Court finds that a state may use the power of eminent domain to break up and transfer large concentrations of private land to the landowner's tenants; the ruling stems from Hawaii's attempt to implement a land reform program.

VATICAN

(See also *U.S., Foreign Policy*)

May 12—Pope John Paul II returns to Rome after a 25,000-mile, 10-day visit to the Far East; he visited South Korea, Thailand, Papua New Guinea and the Solomon Islands.

VENEZUELA

May 28—The Supreme Electoral Council announces that preliminary results from the May 26 municipal elections give the ruling Democratic Action party 46.3 percent of the vote and the opposition Christian Democrats 20.6 percent.

VIETNAM

(See also *China*)

May 16—The Vietnamese press agency reports that Vietnamese soldiers killed or wounded hundreds of Chinese troops who crossed the border yesterday; China has reported heavy Vietnamese casualties after border clashes.

YUGOSLAVIA

May 15—In the most comprehensive government shuffle since World War II, Prime Minister Milka Planinc names 9 new Cabinet ministers and a new 9-man slate for the collective presidency, which now includes Lazar Mojsov and Stane Dolanc.

ZAMBIA

May 13—In Lusaka, President Kenneth D. Kaunda, who cochaired a 3-day meeting between South Africans and black nationalist rebel groups, says the meeting ended without agreement.

ZIMBABWE

May 6—Opposition leader Joshua Nkomo urges Prime Minister Robert Mugabe to call a meeting with the opposition to discuss increasing political and security problems.

May 8—The government terms as "unsubstantiated" rumors that the army disinterred and burned the bodies of civilian victims of its recent military action in Matabeleland.

May 18—Mugabe pledges to crack down on opposition forces; one of his party officials was killed May 13 and he charges the Zimbabwe African People's Union (ZAPU) with the killing.

JUNE, 1984

INTERNATIONAL

Cartagena Conference

June 19—7 Latin American nations with large foreign debts—Brazil, Mexico, Argentina, Venezuela, Colombia, Peru and Ecuador—meet in Cartagena, Colombia, to discuss a common strategy on how to deal with the demands being made for the repayment of the debt.

June 22—A statement is issued in the names of the 7 nations and Chile, Bolivia, Uruguay and the Dominican Republic that calls for frequent meetings of the group and a rotating secretariat. The 11 nations owe about \$290 billion to foreign creditors.

Council for Mutual Economic Assistance (Comecon)

June 15—A communiqué is issued after the close of a 3-day summit that ended yesterday; it calls for coordination of industrial planning and cooperation in high-technology research.

European Economic Community (EEC)

June 26—A 5-year-old dispute is settled today when the members agree to a compromise that gives Great Britain a larger share of EEC funds because of Great Britain's financial contribution to the EEC.

European Parliament

June 18—Results from elections that were held yesterday and June 14 in the 10 member nations show that leftist parties have taken a larger number of seats than expected.

International Whaling Commission

June 22—The commission votes 22 to 7 to reduce the quota on the number of Minke whales that can be harvested and bans the hunting of sperm whales in 1985.

Iran-Iraq War

(See also *UN*)

June 3—A Turkish oil tanker is attacked by Iraqi warplanes; 3 crewmen are killed and the rest of the crew is forced to abandon the ship because of fire.

June 5—2 Iranian airplanes are reportedly shot down by Saudi Arabian fighters when they attempt to fly toward 2 ships in the Persian Gulf near Saudi Arabia.

June 9—Iran denies an Iraqi claim that Iraqi planes hit 2 ships at Iran's Kharg Island oil terminal.

June 12—An agreement between Iran and Iraq not to attack civilian populations goes into effect.

A U.S. Defense Department spokesman says that new intelligence shows that only 1 Iranian plane was downed by Saudi Arabia on June 5.

June 15—The Iranian news agency reports that Hojatolislam Hashemi Rafsanjani, the speaker of the Iranian Parliament, has said Iran would agree to stop attacking shipping in the Persian Gulf if Iraq would also stop.

June 19—An Iraqi military commander says his forces have recaptured areas of Majnoon Island from Iranian troops; Iran seized the territory in its February offensive.

June 25—Shipping sources in Bahrain say that an Iraqi-launched Exocet missile hit a Greek tanker yesterday but failed to explode.

June 28—The owner of a Swiss supertanker that was hit by an Exocet missile fired by an Iraqi plane says that 8 crewmen were killed and 3 were seriously wounded in the attack.

London Economic Summit

(See also *U.S.S.R.*)

June 7—The leaders of the U.S., Great Britain, France, Japan, Italy, West Germany and Canada meet in London for the 10th summit conference of the industrial democracies.

June 8—A "Declaration on Democratic Values" is released by the meeting; the declaration sets forth the political values of the 7 nations.

June 9—The meeting issues an economic communiqué that pledges to make it easier for third world countries to pay their debts.

North Atlantic Treaty Organization (NATO)

June 21—NATO publishes a revised estimate of the troop strength of the Warsaw Pact, lowering the estimated number of Warsaw Pact divisions from 173 to 115.

Organization of American States (OAS)

June 7—The Inter-American Commission on Human Rights, an agency of the OAS, issues a report that says Nicaragua has mistreated its Miskito Indian population by arbitrarily imprisoning some and torturing and killing others.

June 20—João Baena Soares, a Brazilian, officially assumes the position of Secretary General of the OAS.

United Nations (UN)

June 1—The Security Council votes 13 to 0 with 2 abstentions to condemn Iran's attacks on Persian Gulf shipping.

June 14—The U.S. delegation to the UN Committee on the Peaceful Uses of Outer Space walks out of the Vienna meeting; the U.S. delegate says any discussion of an arms race in space should be discussed at the UN Disarmament Conference in Geneva.

ALGERIA

June 15—The Defense Ministry issues a communiqué that says 2 Moroccan soldiers were killed today in a battle inside Algeria.

ANGOLA

June 22—20 Czechoslovakians are released by the guerrilla group Unita after 15 months in prison; on June 14, Unita announced that it had captured 11 Americans, Portuguese and Colombians during an attack on government troops.

ARGENTINA

June 7—President Raúl Alfonsín and former President Isabel Martínez de Perón sign an accord in a nationally televised ceremony that calls for national unity among the parties.

June 8—A bomb is discovered on a plane that former President Perón was about to board for a flight to Spain; no one takes responsibility for the attack.

June 11—The government submits an austerity program to the International Monetary Fund (IMF) that is less harsh than the program the IMF wants implemented before it will grant a new \$3.5-billion loan package.

June 28—The Supreme Military Tribunal, the country's highest military court, orders the release of former President Reynaldo B. Bignone; Bignone was being held in connection with the disappearance of 2 leftist military cadets under his command in 1976.

June 29—Economics Minister Bernardo Grinspun says that an agreement has been reached with international banks that will allow Argentina to make a \$350-million past-due interest payment on its foreign debt.

BOLIVIA

June 3—The government announces that it will not send a team to the 1984 Summer Olympics in Los Angeles because of Bolivia's economic problems.

June 9—Oscar Bonifaz Gutiérrez is sworn in as the country's 3d finance minister in a year; he succeeds Flavio Maachicado.

June 30—A group of about 60 armed police and soldiers seize President Hernán Siles Zuazo; he is rescued unharmed 10 hours later. The commander in chief of the armed forces says the military "repudiates" the coup attempt.

BRAZIL

June 28—President João Baptista Figueiredo, the head of the military government, announces that his government is withdrawing its offer for free presidential elections in 1988; Brazil has been ruled by the military for 20 years.

CANADA

June 30—John N. Turner is sworn in as Prime Minister; on June 18 he was elected to succeed Pierre Elliott Trudeau as head of the ruling Liberal party. 13 Cabinet ministers announce their resignation.

CHINA

(See also *Pakistan; Vietnam*)

June 2—On a visit to Paris, Prime Minister Zhao Ziyang says that France and China have almost reached agreement on a contract to build a nuclear power plant near Canton.

June 13—The Foreign Ministry announces that a committee set up with Great Britain will evaluate an agreement on the future of Hong Kong.

June 14—Defense Minister Zhang Aiping leaves Washington, D.C., after holding talks with U.S. Secretary of Defense Caspar Weinberger; a U.S. Defense Department official announces that the 2 agreed in principle to the potential sale of U.S. antiaircraft missiles and antitank weapons to China.

CUBA

(See also *U.S., Foreign Policy*)

June 28—Jesse Jackson, a U.S. Democratic presidential candidate, arrives in Havana; at Jackson's request, President Fidel Castro releases 22 American prisoners and 26 political prisoners, who are allowed to leave with Jackson.

EGYPT

June 19—President Hosni Mubarak appoints 10 new deputies to the Parliament.

EIRE

(See also *U.S., Foreign Policy*)

June 3—Prime Minister Garret FitzGerald tells visiting U.S. President Ronald Reagan that the people of Ireland want the problems of Central America resolved "peacefully, by the people of the region themselves." Earlier in the day the President visited his ancestral home at Ballyporeen, which gave his "soul a new contentment."

June 4—President Reagan addresses the Irish Parliament; outside the building, more than 5,000 people demonstrate against the President's Central American policy.

EL SALVADOR

June 1—José Napoleón Duarte is inaugurated as President of El Salvador; he promises to "control abuses of authority."

June 2—An unnamed government official tells news reporters that 2 security aides to Roberto d'Aubuisson, the former

presidential candidate, have been warned that they may be prosecuted for involvement in death squad killings.

June 3—President Duarte says he will not order an investigation into the murder of 4 U.S. churchwomen in 1980; although 5 Salvadoran guardsmen were recently convicted of the killings, a secret U.S. report claims that higher level involvement was concealed.

June 22—U.S. government sources in San Salvador and Washington, D.C., report that a plot by right-wing Salvadorans to assassinate the U.S. ambassador to El Salvador, Thomas Pickering, was foiled last month; Roberto d'Aubuisson was reportedly involved in the assassination plot.

June 27—On a visit to Washington, D.C., d'Aubuisson denies he was involved in a plot to kill the U.S. ambassador.

June 28—Leftist guerrillas capture the country's largest hydroelectric plant; government troops later retake the plant.

A coalition of 4 conservative parties in the Legislative Assembly pushes through a vote that eliminates the last phase of the country's land redistribution program.

FRANCE

(See also *China; U.S.S.R.*)

June 24—At least 850,000 people demonstrate in Paris against a proposal that would give the government new powers to regulate the private school system.

GERMANY, EAST

June 24—With the government's approval, Evangelical Lutheran church Bishop Werner Leich receives a religious freedom medal from the Four Freedoms Foundation in the Netherlands.

GERMANY, WEST

June 15—Over 20,000 workers stage warning strikes against the national airline, newspapers and retail shops; another 400,000 workers who belong to the metalworkers union have been on strike for 5 weeks, demanding a 35-hour workweek.

June 21—Foreign Minister Hans-Dietrich Genscher, the head of the Free Democratic party, announces that he will resign as head of the party early in 1985.

June 25—The government announces that it will no longer allow East Germans seeking asylum into its East Berlin embassy; 45 East Germans are still in the building waiting for permission to emigrate.

June 27—Negotiators announce that a tentative agreement has been reached with the striking metalworkers; the workweek will be shortened to 38.5 hours starting April 1, 1985.

Chancellor Helmut Kohl announces that he has chosen Martin Bangemann to succeed Otto Lambsdorff as economics minister; Lambsdorff resigned yesterday because of a corruption indictment about to be brought against him.

GRENADA

June 12—A new party, the Maurice Bishop Patriotic Movement, announces that it will take part in elections scheduled for later this year; the island is currently governed by an appointed council.

HONDURAS

(See also *U.S., Legislation*)

June 6—In a nationally televised speech, General Walter López Reyes, the commander of the armed forces, calls for new limits on military spending and for the peaceful solution of conflicts in Central America.

June 8—U.S. military exercises held with Honduran and Salvadoran soldiers end; the exercises began in March. About 700 soldiers will stay in Honduras.

INDIA

June 2—The Home Ministry announces that the Indian army has been ordered to take control of the state of Punjab; travel by foreigners to the province is restricted. 22 people have been killed in the last 2 days by Sikh extremists fighting for autonomy.

June 3—The government suspends transportation to and imposes a 36-hour curfew on Punjab; 13 people were killed yesterday by Sikh terrorists.

June 6—300 Sikh extremists and government troops are reported killed when the Indian army attacks the Sikh's holiest shrine, the Golden Temple at Amritsar; the army captures the shrine and takes 450 Sikhs prisoner.

June 7—Sikhs protest in several cities against the army attack on the shrine; government troops kill 27 of the protesters.

June 10—Army and police sources report that at least 800 Sikh extremists and 200 soldiers were killed in the June 6 attack on the Amritsar shrine.

June 13—Prime Minister Indira Gandhi declares that a Sikh rebellion has been stopped; in the last 3 days almost 600 Sikh soldiers deserted to protest the army's raid on the Amritsar shrine.

The Indian Express quotes intelligence officials who say that the U.S. Central Intelligence Agency (CIA) "masterminded" the supply of weapons to Sikh extremists from Pakistan.

June 16—Hardayal Singh, a member of Prime Minister Gandhi's Congress party, is killed by Sikh terrorists in the Punjabi village of Goraya.

June 23—Prime Minister Gandhi visits the Sikh temple at Amritsar; on June 21 curfew restrictions were lifted and most Sikh temples were reopened.

June 29—Punjab Governor Bhariab Dutt Pande resigns; P.S. Bhinder, a Sikh official responsible for law and order, also resigns.

IRAN

(See *Intl, Iran-Iraq War; U.S.S.R.*)

IRAQ

(See *Intl, Iran-Iraq War*)

ISRAEL

(See also *Lebanon*)

June 1—The government radio station reports that Chief of Staff Lieutenant General Moshe Levy has reprimanded the head of the army's southern command, who was in charge of troops that killed 2 captured Arab hijackers last month.

June 8—Defense Minister Moshe Arens announces that he is approving a new party that is made up of Arabs and Jews called the Progressive List for Peace; some government officials consider the party subversive.

June 12—65,000 school teachers strike for higher wages; yesterday Foreign Ministry workers went on strike for higher pay.

June 16—Radio and television services are shut down as broadcast journalists strike; about 300,000 workers are striking for higher wages to offset the country's 400 percent a year inflation rate.

June 20—Israeli and U.S. military men take part in the 1st joint military exercise between the 2 countries; the U.S. and Israel signed a strategic cooperation agreement in November, 1983.

June 21—Jerusalem district court Judge Yisrael Weiner sentences a Jewish terrorist to 10 years in prison for attempted assaults on Palestinians; another 24 Jews accused of terrorism remain to be tried.

June 22—Shimon Peres, the head of the opposition Labor party, says he will withdraw Israeli troops from Lebanon in 6 months if he is elected Prime Minister in the July 23 national elections.

June 28—Prisoners of war from Syria and Israel are exchanged for the first time in 10 years.

ITALY

June 5—U.S. Attorney General William French Smith and Italian Interior Minister Oscar Luigi meet in Washington, D.C., to discuss coordinated attacks on organized crime drug trafficking.

June 11—Enrico Berlinguer, Secretary General of the Italian Communist party, dies.

June 19—Antonio Albano, the Italian prosecutor investigating the attempted assassination of Pope John Paul II, releases a report that asserts that Bulgaria, with possible Soviet support, masterminded the attempt.

June 26—Alessandro Natta is chosen to succeed Berlinguer as head of the Italian Communist party.

KAMPUCHEA

June 7—The official press agency accuses Thai military forces of firing chemical weapons into the western province of Pursat; the Thai Supreme Command Headquarters denies the accusation.

KOREA, NORTH

June 2—The government announces that North Korean athletes will not attend the 1984 Summer Olympics in Los Angeles; North Korea is the 14th country to say it will boycott the games.

KUWAIT

(See *U.S., Foreign Policy*)

LEBANON

(See also *Israel*)

June 11—65 people are killed and 200 are wounded when Muslim and Christian militias fire on each other in Beirut.

June 12—Prime Minister Rashid Karami and his Cabinet receive a vote of confidence from the Parliament.

June 23—The Cabinet approves a unity plan that calls for the reorganization of the army and a security plan to reunify Beirut.

June 29—A Lebanese ferryboat traveling to Cyprus from Beirut is intercepted by the Israeli navy; the Israelis board the boat and take it to the Israeli port of Haifa.

June 30—Druse militiamen begin to remove their heavy weapons from West Beirut in an attempt to implement the Cabinet's new security plan for Beirut.

The Israeli military releases the captured ferryboat and all but 9 of its passengers.

MEXICO

June 16—The Foreign Ministry retracts yesterday's statement that the government would act as an intermediary in talks between the U.S. and Nicaragua.

MOROCCO

(See *Algeria*)

MOZAMBIQUE

June 15—President Samora M. Machel dismisses 3 Cabinet ministers from the Interior, Security and Natural Resources Ministries.

NAMIBIA

(See also *South Africa*)

June 9—30 leaders and supporters of the South-West Africa People's Organization are arrested by security police.

THE NETHERLANDS

June 14—The Parliament approves a government plan to delay the stationing of U.S. cruise missiles in the Netherlands for 2 years; the missiles were to have been installed by 1986.

NEW ZEALAND

June 14—Prime Minister Robert Muldoon says that he is calling for general elections on July 14 because the government has lost its 1-vote majority in Parliament.

NICARAGUA

(See also *Intl, OAS; U.S., Foreign Policy*)

June 1—U.S. Secretary of State George Shultz arrives in Managua to confer with Sandinista government officials.

June 2—The government says that yesterday's talks with Shultz were "frank and constructive."

June 13—Because of opposition in the Council of State, the government drops a bill that would have restricted both domestic and foreign journalists.

June 20—Daniel Ortega Saavedra, the Coordinator of the Nicaraguan junta, leaves Moscow after 2 days of meetings.

June 27—Talks between the U.S. and Nicaragua in Manzanillo, a Mexican resort town, end after 2 days.

PAKISTAN

June 20—U.S. Senator Alan Cranston (D., Cal.) says that he has received information that Pakistan has received help from China that gives it the ability to produce nuclear weapons.

PARAGUAY

June 22—The Inter-American Press Association asks President Alfredo Stroessner to lift the 3-month suspension of the country's largest newspaper, *ABC Color*; the paper was closed for endangering "the peace of the republic."

PERU

June 8—Interior Minister Luis Percovich announces that President Fernando Belaúnde Terry has placed Peru under a 30-day state of emergency because of a strike by civil servants.

PHILIPPINES

June 6—President Ferdinand Marcos announces a 22.2 percent devaluation of the peso, the 3d devaluation this year. The devaluation will increase some food prices by 40 percent.

June 30—Marcos appoints 4 new Cabinet members.

POLAND

June 10—Government television announces that Bogdan Lis, the second ranking official in the banned trade union Solidarity, has been arrested; Lis has been in hiding since the imposition of martial law in 1981.

June 18—The government says that yesterday's turnout for

elections for local councils throughout the country is a vote of confidence for the government.

ST. KITTS-NEVIS

June 22—According to official results released today, the ruling coalition of the People's Action Movement and the Nevis Reformation party swept yesterday's general elections.

SAUDI ARABIA

(See *Intl, Iran-Iraq War*)

SOUTH AFRICA

June 2—Prime Minister P. W. Botha meets with British Prime Minister Margaret Thatcher in London; it is the 1st visit by a South African leader to Britain in 23 years. At least 15,000 people demonstrate against Botha's visit.

June 6—Botha says that South Africa is willing to withdraw from Namibia if a group of 5 Western nations would take over the country's administration and defense.

June 14—Botha returns to Johannesburg after an 18-day tour of West Europe.

June 22—44 people are arrested for demonstrating against the government's apartheid policies; the protesters are members of a multiracial group opposed to apartheid.

SUDAN

June 13—The official press agency reports that army troops repelled 2 attacks by rebels in the southern part of the country last week; it says 255 rebels and 8 soldiers were killed.

SYRIA

(See *Israel*)

TAIWAN

(See *U.S., Foreign Policy*)

THAILAND

(See *Kampuchea*)

TURKEY

June 28—The government announces that it is lifting martial law in 13 provinces; martial law will continue in 41 of the country's 67 provinces for another 4 months.

U.S.S.R.

(See also *Nicaragua; U.S., Foreign Policy*)

June 7—A senior U.S. official traveling with President Reagan in London says he has received "official" word from Soviet authorities that the Soviet dissident and Nobel peace prize winner Andrei Sakharov is no longer in any danger of dying; Sakharov had staged a hunger strike to allow his wife to travel to the U.S. for medical treatment.

June 8—The official press agency Tass says that Sayyed Mohammed Sadr, the director general of the Iranian Foreign Ministry, has met with Foreign Minister Andrei Gromyko.

June 13—President Konstantin U. Chernenko rejects a call for renewed talks on nuclear arms and other issues made by the Western nations at the London summit.

June 17—A new U.S. Defense Department estimate says that the Soviet Union has 8,000 more nuclear warheads than the U.S.; the Soviet Union overtook the U.S. about 5 years ago.

June 21—At a dinner in Moscow, French President François Mitterrand tells Chernenko that the plight of Sakharov is a human rights case that falls under the "contractual values" of the Helsinki accords.

June 22—Mitterrand ends his 2-day visit.

U.S. officials report that last month between 200 and 300 people were killed when large stocks of ammunition for the Soviet northern fleet exploded at Severomorsk.

June 29—Tass reports that the government has presented the U.S. with a statement asking for negotiations this fall on banning weapons in space.

UNITED KINGDOM

Great Britain

(See also *Intl, EEC; China; South Africa; U.S., Foreign Policy*)

June 9—More than 150,000 people demonstrate against U.S. nuclear policy near where President Reagan is meeting with other Western leaders at the London summit conference.

UNITED STATES

Administration

June 5—President Ronald Reagan nominates George Nester-czuk as Deputy Director of the U.S. Information Agency, instead of Acting Director Leslie Lenkowsky, who failed to receive Senate Foreign Relations Committee confirmation.

June 6—The U.S. International Trade Commission votes 5 to 0 against protecting the U.S. shoe industry against imports.

June 21—U.S. district court Judge Oliver Gasch rules that the Defense Department was acting within its rights in prohibiting news coverage of the Grenada invasion in October, 1983.

June 25—The U.S. Court of Appeals for the District of Columbia, consisting of a special 8-judge panel, rules unanimously that a lower court could not order the appointment of an independent counsel under the Ethics in Government Act against the Attorney General's objections, despite the request of a member of the public.

Economy

June 1—The Labor Department reports that the nation's unemployment rate declined to 7.4 percent in May.

June 15—The Labor Department reports that its producer price index remained unchanged in May for the second month in a row.

June 22—The Labor Department reports that its consumer price index rose 0.2 percent in May.

June 25—Most major banks raise their prime lending rate to 13 percent.

June 29—The Commerce Department reports that its index of leading economic indicators declined 0.1 percent in May.

Foreign Policy

(See also *Intl, UN; China; Cuba; Eire; El Salvador; Grenada; Honduras; India; Israel; Italy; Mexico; Netherlands; Nicaragua; U.S.S.R.; UK, Great Britain; Vietnam*)

June 2—Secretary of State George Shultz returns to Washington, D.C., from Nicaragua after talks with government leaders there; he affirms that President Reagan will continue to ask Congress for \$21 million in covert aid for rebel groups opposing the Nicaraguan government.

June 5—President Reagan confers in London with British Prime Minister Margaret Thatcher.

June 12—Senators Howard Baker (R., Tenn.) and Charles Percy (R., Ill.) urge President Reagan to "just get together and talk about the general world situation" with Soviet President Konstantin Chernenko; the administration position remains that there should be hope of some tangible result before any talks begin.

June 14—President Reagan asserts his readiness to "meet and talk any time" with Chernenko.

June 19—The Defense Department reports to Congress that it is

selling \$325 million in C-130 military transports to Taiwan.

The Defense Department reports that because of congressional opposition, it will be unable to sell Stinger antiaircraft missiles to Kuwait.

June 27—In a speech to the Conference on U.S.-Soviet Exchange, President Reagan outlines the areas where the U.S. and the Soviet Union are working to strengthen contacts, but he reserves the right to denounce any Soviet actions that "threaten the peace."

June 28—Secretary of State Shultz calls the release of 48 U.S. and Cuban prisoners by Cuban President Fidel Castro to Democratic presidential candidate Jesse Jackson a "propaganda victory" for Cuba.

June 29—Responding to a Soviet note suggesting U.S.-Soviet negotiations over the militarization of space arms, national security adviser Robert McFarland says that the U.S. will agree to such discussions but only in the context of curbs on all missile systems.

Legislation

June 8—In a Senate vote, \$4.4 million is deleted from a defense authorization bill for fiscal 1985; this deletes the funding for 2 U.S. military bases in Honduras.

June 14—After the Senate votes 48-48, Vice President George Bush casts the deciding vote in favor of funding for the MX missile.

June 18—The Senate votes 63 to 31 to defeat a measure sponsored by Senator Edward Kennedy (D., Mass.) that would have forbidden the use of U.S. armed personnel in or over El Salvador and Nicaragua for combat purposes without prior congressional approval.

June 20—Voting 55 to 41, the Senate rejects an amendment that would have forced the administration to withdraw almost one-third of U.S. troops from West Europe by 1990 if the West Europeans did not add to their own military contributions to NATO budgets.

June 25—After voting 88 to 1 to drop aid for the Nicaraguan rebels from an emergency spending bill, the Senate passes the agricultural supplemental appropriation bill and sends it to the White House; the bill includes \$100 million for summer youth jobs, and funds for child nutrition and for the Women, Infants and Children program.

June 27—In a 268-155 vote, the House approves a 4-year, \$50-billion tax increase package and a \$13-billion package of spending cuts. The Senate approves the measure 83 to 15, and the bill goes to the President.

June 28—The House gives final congressional approval to a bill that will deprive states of some of their highway funds if they fail to raise to 21 the legal drinking age in their states. 27 states will be affected by the legislation, which has presidential endorsement.

June 29—The House and Senate approve: an increase in the national debt limit by \$53 billion; a compromise bill to restructure bankruptcy laws; \$4 million for security at the national presidential nominating conventions. Both houses recess.

Military

June 10—Army officers report that an experimental antiballistic missile has intercepted and destroyed an incoming dummy missile warhead for the first time.

June 18—The Air Force refuses to allow one of its high-ranking civil servants to testify officially to Congress on Air Force purchasing and auditing practices.

Politics

June 5—Senator Gary Hart (D., Colo.) wins the New Mexico, South Dakota and California Democratic presidential primaries. Former Vice President Walter Mondale wins the

Democratic primaries in New Jersey and West Virginia.

June 14—President Reagan says he will debate Walter Mondale if the former Vice President wins the Democratic presidential nomination.

June 28—Jesse Jackson, a Democratic presidential candidate, terms “reprehensive” the anti-Semitic remarks made by his supporter, Louis Farrakhan.

Science and Space

June 26—Four seconds before lift-off, the space shuttle *Discovery* launch is postponed; this is the 2d postponement in 2 days.

Supreme Court

June 4—In a 6–3 ruling that reverses 2 lower federal courts, the Supreme Court reinstates a New York law that permits juveniles charged with delinquency to be held in “preventive detention” before trial to prevent further criminal activity.

June 12—In a 5–4 ruling, the Court decides that “overriding considerations of public safety” may allow the police to question a suspect in custody without warning him of his legal rights; this is termed a “public safety exception” to the Court’s ruling in the case of *Miranda v. Arizona* 18 years earlier.

The Court rules 6 to 3 that an employer may not be ordered to abandon seniority procedures in firing in order to protect more recently hired blacks at the expense of whites with more seniority.

June 25—The Court rules 7 to 2 that illegal aliens are entitled to the protection of federal labor law.

June 27—The Court rules 7 to 2 that the National Collegiate Athletic Association’s rules regulating the number of television appearances a football team can make and negotiating the fees are “an unreasonable restraint of trade” that violate the Sherman Antitrust Act.

June 28—In a 5–4 ruling, the Court reinstates the administra-

tion’s curbs on business and tourist travel to Cuba, saying that cutting off the flow of dollars to Cuba is “an urgent matter of foreign policy.”

June 29—In a 7–2 ruling, the Court declares that a ban on sleeping in national parks near the White House as a form of public protest is not a violation of the right to free speech.

URUGUAY

June 16—Wilson Ferreira Aldunate is arrested by the military government of General Gregorio Alvarez as he tries to reenter Uruguay; Aldunate is the leader of an opposition party and has been living in exile in Argentina for 11 years.

June 19—The government announces that Aldunate has been charged with aiding subversion and attacking the morality of the armed forces.

VIETNAM

June 6—Government radio reports that Chinese forces have killed hundreds of civilians in artillery bombardments in the last 2 months.

June 25—A government official, Nguyen Phi Tuyen, says that the government has stopped issuing exit permits for resettlement in the U.S. because of the backlog caused by a U.S. quota; he says 29,000 Vietnamese are awaiting entry visas from the U.S.

ZIMBABWE

June 4—The government announces that it will prosecute journalists who write “distorted or twisted” reports about Zimbabwe.

June 20—2 days of riots in the central city of Kweke have left 5 people dead; the supporters of Prime Minister Robert Mugabe started the rioting by attacking the homes of followers of opposition leader Joshua Nkomo.

July, 1984

INTERNATIONAL

ANZUS (Australia, New Zealand, United States)

(See also *New Zealand*)

July 16—The annual meeting opens in Wellington.

Caribbean Community and Common Market (Caricom)

July 7—The 13-nation group issues a communiqué at the end of its 4-day meeting that calls for a program to restore and increase intraregional trade.

Coordinating Committee for National Strategic Embargoes (COCOM)

July 16—In Paris, Western diplomats report that COCOM members have agreed on restrictions on the export of computers and other sophisticated electronic technology to Communist nations; the negotiations started over 2 years ago.

Conference on European Security

July 6—The annual talks end after a 6-month session; new talks will begin in September.

European Economic Community (EEC)

(See also *Turkey*)

July 27—The European Parliament of the EEC votes 212 to 70 to block the payment of \$600 million in budget rebates to Britain; the rebate was promised to Britain earlier this year at a meeting of EEC leaders.

International Monetary Fund (IMF)

July 5—Jacques de Larosière, the managing director of the

IMF, says that the fund will refuse future loans to Argentina until Argentina cuts its 500 percent annual inflation rate.

Iran–Iraq War

July 1—Iraqi government radio reports that Iraqi jet fighters destroyed “five naval targets” in the northern Persian Gulf and shot down an Iranian jet today.

July 5—A Japanese-owned oil tanker is hit with two bombs dropped by Iranian jets.

London Suppliers Club

July 15—U.S. officials say that the 1st meeting since 1977 of the so-called London Suppliers Club was held in secret from July 11 to 13; the group reportedly decided to strengthen controls on nuclear exports. At the request of the U.S., only 11 of the 15-member nations that supply nuclear technology were invited; Soviet bloc nations were not asked to attend.

Mutual and Balanced Force Reduction Talks (MBFR)

July 19—The talks end for a summer recess.

Organization of Petroleum Exporting Countries (OPEC)

July 11—The annual 2-day conference ends; oil ministers agree to keep oil prices at current levels.

United Nations (UN)

(See also *El Salvador*)

July 11—Secretary General Javier Pérez de Cuéllar arrives in Moscow for talks with the Soviet leadership on Afghanistan.

World Bank

July 11—The Bank projects a doubling of the world's population in 2050 to 10 billion people.

AFGHANISTAN

(See *Intl, UN; Pakistan*)

ANGOLA

(See *South Africa*)

ARGENTINA

(See also *Intl, IMF*)

July 5—Government officials report that President Raúl Alfonsín dismissed the army chief of staff and 3 other generals last night because of their inability to quell army protests over the government's prosecution of military human rights violations.

July 8—West German Chancellor Helmut Kohl leaves after a 4-day visit; Kohl told the government that it will have to impose austerity measures before European industrial nations will offer more aid.

July 19—Talks with Great Britain over the status of the Falkland Islands end after 1 day; each side accuses the other of causing the breakdown in the talks.

July 30—Enrique Garcia Vasquez, the head of the Central Bank, says that Argentina has repaid a \$300-million emergency loan from 4 Latin American nations.

BANGLADESH

July 12—The election commissioner, A.K.M. Nurul Islam, says that elections for a 300-seat Parliament will be held on Dec. 8, 6 months later than scheduled by the military government.

BOLIVIA

July 2—Government officials report that 2 former Cabinet officials and about 100 right-wing military officers, policemen and politicians have been arrested for the June 30 kidnapping of President Hernán Siles Zuazo in an attempted coup; the leader of the coup attempt, Colonel Rolando Saravia, is in hiding.

BULGARIA

(See *U.S., Foreign Policy*)

BURUNDI

July 28—Government officials say that President Jean-Baptiste Bagaza was reelected for a 2d term in elections held yesterday; Bagaza was unopposed in the election.

CANADA

July 9—Prime Minister John N. Turner announces that national elections will be held on Sept. 4.

CHINA

(See also *Vietnam*)

July 1—The *People's Daily*, the party newspaper, reports in a front-page editorial that the 3d stage of the anti-spiritual pollution campaign is now under way; the new campaign is "aimed at enhancing the party's revolutionary vigor."

July 13—The government announces that Chinese forces beat back a Vietnamese incursion in Yunnan province that began yesterday morning.

July 20—*People's Daily* reports that the party Central Committee has authorized lower level officials to take over the tasks assigned to more senior officials in an attempt to bring younger, more talented people into the government process.

July 24—The government accuses Vietnam of fomenting trou-

ble on the border between the 2 countries in order to sabotage Chinese-Soviet relations.

July 28—Li Yimang, head of the Chinese Association for International Understanding, says that China will reduce its nuclear arsenal if the U.S. and the Soviet Union do so also.

July 31—Foreign Minister Wu Xueqian says that a "breakthrough" was achieved during 4 days of talks with British Foreign Minister Geoffrey Howe on the status of Hong Kong; the talks end today.

CUBA

(See also *U.S., Foreign Policy*)

July 26—President Fidel Castro calls for better relations between the U.S. and Cuba in a speech marking the 31st anniversary of the beginning of the revolution.

EGYPT

(See *U.S.S.R.*)

EL SALVADOR

July 3—A member of the guerrillas' political-diplomatic commission confirms that guerrillas are forcibly conscripting civilians in some areas; the Salvadoran army also forcibly conscripts civilians.

July 11—In an interview with news reporters in Washington, D.C., a captured Salvadoran guerrilla commander says that virtually all the arms his units used came from Nicaragua.

July 13—A U.S. State Department report to the U.S. Congress says that there is a "positive downward trend" in killings by security forces and death squads; during the 1st 5 months of 1984, an average of 93 civilians were murdered each month.

July 18—At a news conference in Bonn, President José Napoleón Duarte thanks West German Chancellor Helmut Kohl for his decision to resume economic aid to El Salvador; Duarte is on a tour of West Europe.

July 21—Duarte meets with British Prime Minister Margaret Thatcher in London.

July 23—Duarte meets with U.S. President Ronald Reagan and asks for an increase in economic and military aid.

July 28—Duarte says El Salvador will file a complaint with the International Court of Justice over the Nicaraguan government's alleged smuggling of weapons to the Salvadoran guerrillas.

July 30—In their 1st major attack in western El Salvador, guerrillas kill 58 civil guards and civilians when they attack 2 farm cooperatives and a village.

FRANCE

July 12—President François Mitterrand announces that he is backing a constitutional amendment that will permit national referendums on issues involving "public liberties."

July 17—Prime Minister Pierre Mauroy and his Cabinet resign; Mitterrand immediately announces that Laurent Fabius, a member of Mitterrand's Socialist party and the industry minister, will become the new Prime Minister.

July 19—The Communist party announces that it will not participate in the Fabius Cabinet because of the government's austerity program; Communists have been part of the French government since Mitterrand's election in 1981.

The new Cabinet announces a package of income tax and social security tax cuts.

July 25—Prime Minister Fabius and his Cabinet receive a vote of confidence from the National Assembly.

July 31—The National Assembly votes to give New Caledonia internal autonomy; the bill provides for a 1989 referendum on self-determination for the territory.

GERMANY, EAST(See *Germany, West*)**GERMANY, WEST**(See also *Argentina; El Salvador*)

- July 2—The Green party announces that Petra Kelly, its most well-known member, must vacate her seat in the Bundestag by 1985 because she is too eager for personal publicity.
- July 22—In Teheran at the end of a 2-day visit, Foreign Minister Hans-Dietrich Genscher tells reporters that Iran is interested in reviving contacts with Western nations.
- July 25—The government announces that it has approved a \$333-million private bank loan to East Germany; the government also announces that East Germany has agreed to ease restrictions on contacts between the 2 Germanys.

GREECE

- July 9—Dimitrios Maroudas, a government spokesman, says that the U.S. is deliberately "planting" reports critical of Greece in the Western press; he says that continued attacks on Greece will result in a reassessment of Greece's ties with the U.S.

GUATEMALA

- July 1—More than 2.5 million people vote for a Constituent Assembly that will draft a constitution; the military government says that presidential elections will be held in 1985 after the constitution is approved.
- July 6—Foreign Minister Fernando Andrade Díaz-Durán says that Guatemala has no interest in U.S. military aid and that Guatemalan troops will not take part in military maneuvers sponsored by the U.S.
- July 11—A government official announces that those who did not vote in the July 1 election will be fined US\$5, the equivalent of 2 days' wages for a farm worker.
- July 17—Election results show that because of proportional representation the rightist coalition that finished third in the popular voting July 1 will receive 23 seats in the Constituent Assembly; the Christian Democrats and National Union of the Center parties who finished 1st and 2d, respectively, will receive 21 seats.

HONDURAS

- July 1—An unnamed military official tells news reporters in Tegucigalpa that the government has ordered Nicaraguan guerrillas to close down their bases in Honduras.

INDIA

- July 2—The government dismisses the state government of Kashmir.
- July 6—Sikh hijackers release 255 passengers and crew members of an Indian Airlines passenger jet in Lahore, Pakistan.
- July 10—The government releases a report that says that Sikh separatists in West Europe and the U.S. conspired with Sikhs in India to promote the secession of the Sikh-dominated state of Punjab.
- July 19—Prime Minister Indira Gandhi reorganizes her Cabinet; she dismisses her foreign affairs minister and assumes his portfolio.
- July 23—Opposition party members walk out of both houses of Parliament to protest the leadership's refusal to allow debate on government policy in Kashmir state.

INDONESIA(See *U.S., Foreign Policy*)**IRAN**(See *Intl, Iran-Iraq War; Germany, West; Lebanon*)**IRAQ**(See *Intl, Iran-Iraq War*)**ISRAEL**(See also *Lebanon*)

- July 26—Final returns from the July 23 general elections show that the Labor party won 44 seats and the governing Likud party won 41 seats; since 61 seats are needed to govern, both parties are attempting to build coalitions with the 13 smaller parties.
- July 30—An Najah University, in Nablus on the occupied West Bank, is closed by the Israeli Civil Administration for 4 months after a Palestinian folklore exhibit showed "nationalistic and provocative" materials.

ITALY

- July 12—Pietro Longo, the budget minister, resigns; Longo has been linked to a spurious Masonic lodge.

JAPAN

- July 10—The Finance Ministry announces that Japan had a \$13.53-billion trade surplus for the 1st 6 months of 1984; it is Japan's largest 6-month trade surplus.

KOREA, SOUTH

- July 13—9 members of the Council for Democratization, an opposition group, are arrested when they try to open an office in Seoul.

KUWAIT

- July 11—Defense Minister Sheik Salim al-Sabah initials an arms agreement in Moscow with the Soviet Union; government officials say that the \$327-million agreement includes the provision of Soviet surface-to-air missiles.

LEBANON

- July 4—Lebanese army troops move into positions throughout Beirut that militia units have vacated; Prime Minister Rashid Karami says that Lebanon is on its way to recovery.
- July 5—Soldiers begin to tear down the Green Line, a 5-mile barricade that has separated the Muslim and Christian sections of the city.
- July 9—Relatives of people who were kidnapped during the 9-year civil war stage a strike that closes down West Beirut; they demand that the government find out what happened to their relatives.
- July 11—The Cabinet appoints a special commission to look into the disappearance of thousands during the civil war; relatives have agreed to suspend their protests while the government investigates.
- July 14—Fighting between 2 pro-Syrian militias in Tripoli ends after Syrian President Hafez Assad threatens to order his army into the city to stop the fighting.
- July 18—The Cabinet decides to restore diplomatic relations with Iran.
- July 24—Israeli forces occupying southern Lebanon open the only road linking southern Lebanon with the north; the road was closed on July 22 because of the Israeli elections.
- July 26—Prime Minister Karami says he "respects" the guerrillas fighting Israeli forces in southern Lebanon.
- July 30—While Druse militiamen stand guard, the last contingent of U.S. Marine combat troops withdraws from Beirut.

LIBERIA

- July 21—General Samuel K. Doe announces that he has dissolved his ruling People's Redemption Council; he calls for its replacement by an interim National Assembly.

LIECHTENSTEIN

July 1—In a constitutional referendum, women are given the right to vote; 51.3 percent of the male population votes to allow women the right to vote and 48.7 percent votes against it.

MALAYSIA

July 9—Mon Jamaluddin, the acting secretary general of the Foreign Ministry, says that Prime Minister Mahathir bin Mohamad told visiting U.S. Secretary of State George Shultz that the U.S. is endangering the Southeast Asian nations with its enthusiastic support for China's modernization program.

July 14—Prime Minister Mahathir reorganizes his Cabinet; he names 3 new Cabinet ministers and 4 new deputy ministers.

MEXICO

July 12—The Interior Ministry denies a Roman Catholic diocese report that Mexican army soldiers tortured and killed 3 Guatemalan refugees last week.

NAMIBIA

(See *South Africa*)

NEW ZEALAND

July 14—The Labor party, led by David Lange, wins in general elections over the conservative ruling National party; projections give the Labor party 55 seats and the National party 38 seats in Parliament.

July 17—Prime Minister-elect David Lange meets with U.S. Secretary of State Shultz; Lange says he stands by his party's pledge not to allow nuclear-armed ships to dock in New Zealand; the U.S. has declared that this would cause serious problems for the ANZUS (Australia, New Zealand, U.S.) military alliance. The U.S. Navy says that no naval visits are planned until the 2d quarter of 1985.

NICARAGUA

(See also *El Salvador*; *Honduras*)

July 9—Archbishop Miguel Obando y Bravo leads 27 priests and 300 other people on a march through Managua to protest the government's accusation that a priest is aiding rightist rebels.

July 17—The government announces that Daniel Ortega Saavedra, the coordinator of the junta, will be the government's candidate for President.

July 19—The government announces that portions of the emergency law restricting civil liberties will be lifted during the coming election campaign.

July 25—Arturo José Cruz, a former Sandinista ambassador to the U.S., is nominated by opposition groups as their presidential candidate; Cruz says his party will not take part in elections unless the government begins talks with rightist rebels.

July 27—A Norwegian freighter with 4 Nobel laureates docks in the port of Corinto; the "peace" ship is bringing medicine, newsprint for all 3 newspapers (including the opposition paper), and other supplies.

NIGERIA

(See also *U.K.*, *Great Britain*)

July 8—A press secretary to Major General Mohammed Buhari, the Nigerian military leader, says that Umaru Dikko, a Cabinet official in the overthrown government of President Shehu Shagari, may have staged his own kidnapping in London in order to gain international

attention; he says the Nigerian government was not involved in the kidnapping.

NORWAY

(See *Nicaragua*)

PAKISTAN

July 30—Jehan Zeb Khan, commissioner of Peshawar city, says that Kabul secret police are responsible for the 3 bombing attacks that have killed 10 people in the last 2 days in Pakistan's Northwest Frontier Province.

PANAMA

July 21—President-elect Nicolas Ardito Barletta says he will discuss the building of a 2d Panama Canal when he visits U.S. President Reagan next week.

PERU

July 19—Lima newspapers report that anti-government guerrillas have killed more than 200 civilians in 5 days.

PHILIPPINES

July 7—Lieutenant Colonel Leon Baldival, a military commander, says that government troops have begun a major offensive against guerrillas in the northern Philippines.

July 31—Prime Minister Cesar Virata is reelected by a vote of 120 to 50 in the National Assembly.

POLAND

July 21—Marking the 40th anniversary of Communist rule, the Parliament passes an amnesty bill that authorizes the release of 652 political prisoners in 30 days; the amnesty also extends to 30,000 common criminals.

ST. VINCENT

July 26—Election officials report that the incumbent Labor party lost yesterday's elections; the New Democrats, led by James Mitchell, won 9 of the 13 seats in Parliament.

SOUTH AFRICA

July 2—Foreign Minister Roelof F. Botha says that he held "useful" talks today with senior Angolan officials in Zambia about South Africa's troop withdrawal from southern Angola.

July 18—The police say that a 24-year-old black man died while in custody July 16; about 50 political detainees have died in custody in the last 20 years.

July 26—The government announces that the Cape Verde Islands talks with guerrillas fighting for the independence of Namibia have ended in a stalemate.

SYRIA

(See *Lebanon*)

TURKEY

July 14—Parliament votes 203 to 153 for a 5-year economic program that calls for cuts in inflation, an increase in exports, and membership in the European Economic Community.

U.S.S.R.

(See also *Intl.*, *UN*; *Kuwait*; *U.K.*, *Great Britain*)

- July 1—The government rejects a U.S. offer to hold talks on banning weapons in outer space because the U.S. also wants to discuss other issues at the proposed talks.
- July 2—The U.S. Agriculture Department reports that the Soviet Union has bought an additional 550,000 metric tons of wheat in 1984.
- July 5—Vyacheslav M. Molotov, a former Prime Minister, is reinstated as a member of the Communist party; he was ousted from the party in 1962.
- July 7—The government announces that Aleksandr V. Belonogov has been named Soviet ambassador to Egypt; this will be the 1st exchange of ambassadors between the 2 countries since 1981.
- July 13—The Moscow daily *Vechernyaya Moskva* reports that Yuri K. Sokolov, the head of Moscow's Gastronom No. 1, a food store that caters to government officials, has been executed for corruption.
- July 25—Svetlana Savitskaya becomes the 1st woman to walk in space.
- July 27—Deputy Foreign Minister Viktor G. Komplektov says that the U.S. response to proposals for talks on banning weapons in space makes such negotiations impossible.
- July 29—The official press agency Tass reports that the Soviet Union is calling for the revival of the Geneva conference on the Middle East; the conference would include the U.S., the Soviet Union, Israel, the Arab nations and the Palestine Liberation Organization.

UNITED KINGDOM

Great Britain

(See also *Intl, EEC; Argentina; El Salvador; Nigeria; U.S., Foreign Policy*)

- July 3—Foreign Minister Sir Geoffrey Howe ends 2 days of talks with Soviet leaders in Moscow.
- July 7—Authorities agree to release a Nigerian Airways plane that was detained in London after a drugged former Nigerian Cabinet official, Umaru Dikko, was found in a crate about to be loaded on the plane; Nigerian authorities have been holding a British Caledonian Airways plane in Lagos to protest the seizure of the Nigerian plane.
- July 10—The government charges a Nigerian and 3 Israeli citizens with Dikko's kidnapping.
- July 13—Foreign Minister Howe announces that 2 Nigerian diplomats have been ordered to leave the country.
- July 16—A London court nullifies a ban imposed by Prime Minister Margaret Thatcher that prohibited trade union organizing at an intelligence-gathering facility in Cheltenham.

UNITED STATES

Administration

- July 1—The Food and Drug Administration announces that on June 29, President Reagan signed a law under Schedule I of the Controlled Substances Act that puts the drug methaqualone (Qualude) under that section of the act; this action will effectively bar its distribution.
- July 2—President Reagan names former (resigned) head of the Environmental Protection Agency (EPA) Anne M. Burford chairman of the National Advisory Committee on Oceans and Atmosphere.
- July 9—Secretary of Health and Human Services Margaret M. Heckler reports that the increase in the nation's health care costs has been cut to 6.3 percent a year from 1981's 10.8 percent.
- July 11—The International Trade Commission, in a 3 to 2 vote, recommends that President Reagan give much more protection against imports to the U.S. steel industry.

The Transportation Department requires the use of air bags or automatic seat belts on U.S. cars sold in 1989 and thereafter; the ruling will be rescinded if states with two-thirds of the U.S. population require auto occupants to use seat belts.

- July 24—President Reagan says that he will ask Congress to authorize an increase in Social Security benefits even if the inflation rate for the rest of 1984 is so low that an increase would not be provided by law.
- July 26—The Federal Communications Commission votes 4 to 1 to permit an individual or a company to own up to 12 television stations, up from the present maximum of 7.
- July 30—The EPA proposes new regulations starting January 1, 1986, that will reduce the lead content of regular gasoline by 91 percent.
- July 31—In Nashville, the nation's governors end their 3-day annual conference.

Economy

- July 6—The Labor Department reports that the nation's unemployment rate fell to 7 percent in June.
- July 13—The Labor Department reports that its producer price index remained unchanged in June for the 3d consecutive month.
- July 23—The Commerce Department reports that the nation's gross national product (GNP) grew at an annual rate of 7.5 percent in the 2d quarter of 1984 and that inflation fell in the same period to 3.2 percent.
- July 24—The Labor Department reports that its consumer price index rose 0.2 percent in June.
- July 26—The Federal Deposit Insurance Corporation, the Federal Reserve Board and the Office of the Comptroller of the Currency put together a \$4.5-billion rescue package for Chicago's Continental Bank and Trust Company, in an attempt to restore the bank's solvency.
- July 27—The Commerce Department reports that the nation's foreign trade deficit rose slightly to \$8.9 billion in June.
- July 31—The Commerce Department reports that its index of leading economic indicators declined 0.9 percent last month.

Foreign Policy

(See also *Intl, London Suppliers Club; Cuba; El Salvador; Greece; Guatemala; India; Lebanon; Malaysia; New Zealand; Panama; U.S.S.R.; Vietnam*)

- July 3—Secretary of State George Shultz tells Soviet Ambassador to the U.S. Anatoly Dobrynin that the U.S. intends to negotiate about space weapons with the Soviet Union in September.
- July 5—Secretary Shultz begins a 2-week trip to the Far East, seeking to improve U.S. relations with Asian nations.
- July 8—In Hong Kong, Shultz expresses interest in the British negotiations with China over the future of Hong Kong.
- July 9—The State Department bans all nonessential government travel to Bulgaria.
- President Reagan says that he does not believe that Democratic contender for the presidential nomination, Jesse Jackson, violated the Logan Act—which forbids private citizens from holding unauthorized negotiations with foreign governments—when he traveled to Cuba to secure the release of Cuban and American prisoners.
- July 11—Acting chief counsel of the Office of Government Ethics, Gary Davis, issues a report stating that Ambassador to the Vatican William Wilson was permitted to retain directorships in 2 U.S. corporations despite stated policy requiring him to resign those posts.
- July 13—In Jakarta, Indonesia, Secretary Shultz addresses the closing session of the Association of Southeast Asian Nations (ASEAN); he defends the strong U.S. dollar and claims that

3d world countries are more protectionist than the U.S.

July 14—In a letter to Soviet President Konstantin Chernenko, President Reagan says he is willing to delay proposed space weapons talks in Vienna until after the U.S. elections in November.

July 17—U.S. and Soviet officials initial a diplomatic note agreeing to modernize the hot line between Moscow and Washington, D.C.

July 25—The White House reports that President Reagan has ended the U.S. ban on Soviet commercial fishing in American waters imposed by President Jimmy Carter in 1980.

July 27—State Department spokesman Alan Romberg says that unless Cuba indicates a willingness to make basic changes in its foreign policy the U.S. will not undertake comprehensive talks with Cuba.

Labor and Industry

July 19—The Chrysler Corporation reports record earnings of \$802.9 million for the 2d quarter of 1984.

July 26—The Ford Motor Company reports 2d quarter earnings of \$909.1 million, up 67.7 percent from the same period last year.

July 27—The General Motors Corporation reports 2d quarter earnings of \$1.609 billion.

Legislation

July 6—President Reagan signs legislation passed by Congress just before its recess that raises the federal debt limit by \$53 billion to \$1.57 trillion.

July 17—President Reagan signs a law that requires the Secretary of Transportation to withhold 5 percent of federal highway construction funds from states that do not enact a law providing a minimum drinking-age-limit of 21 by October 1, 1986; Congress has approved the measure.

July 18—President Reagan signs the Deficit Reduction Act of 1984, raising taxes some \$50 billion and reducing expenditures some \$13 billion through 1987.

July 24—In a nonbinding resolution, the Senate votes 74 to 19 to ask President Reagan to withdraw his nomination of Anne Burford as chairman of the National Advisory Council on Oceans and Atmosphere.

July 25—The House votes 337 to 77 to approve a Senate-passed bill to permit students to hold voluntary religious meetings in school during non-school hours.

Congress completes action on a bill giving the Securities and Exchange Commission the power to levy fines on those found guilty of insider stock trading.

July 31—Voting 64 to 34, the Senate completes congressional action on a bill allowing some consumers in Arizona, California and Nevada to continue to receive cheap electric power from the Hoover Dam for the next 30 years.

In a 363-51 vote, the House passes a nonbinding resolution calling on the President to withdraw his nomination of Anne Burford.

Voting 354 to 52, the House reprimands Representative George Hansen (R., Idaho) for failure to disclose his financial holdings as required under federal law.

Military

July 19—Secretary of Defense Caspar Weinberger reports that there were some 657 criminal convictions of military contractors last year; he says "we are sending a message" to swindlers.

July 21—The investigative staff of the House Appropriations Committee issues a 376-page report that says that the U.S. Army "cannot be sustained in combat for any extended period of time." It also questions the ability of the Navy and Air Force to carry out extended operations under combat conditions.

July 23—Secretary of Defense Weinberger calls the House report "dangerously wrong."

Politics

July 12—Former Vice President Walter Mondale, the probable Democratic presidential nominee, chooses Congresswoman Geraldine A. Ferraro (D., N.Y.) as his vice presidential running mate; this is the 1st time a major political party has selected a woman as a possible Vice President.

July 16—The 39th Democratic national convention opens in San Francisco with the delegates calling for party unity.

July 19—Walter Mondale accepts the Democratic nomination for President, saying "we will be fighting for the American future."

The Democratic national convention nominates Geraldine Ferraro for Vice President by acclamation.

Supreme Court

July 2—Ruling unanimously, the Supreme Court upholds the U.S. Circuit Court of Appeals for the Sixth Circuit in Ohio and, in effect, declares that anyone in police custody, no matter how minor the matter, must be advised of the right against self-incrimination before being questioned (*Miranda v. Arizona*, 1966); the Court also rules that an ordinary traffic check does not constitute custody and that this warning does not have to be given before questioning during such a procedure.

In a 5-4 decision, the Court declares unconstitutional under the First Amendment the federal law that says public radio and television stations receiving funds from the Corporation for Public Broadcasting may not broadcast editorials.

July 3—Overturning a lower appeals court decision, the Court rules 5 to 4 that the Fourth Amendment protection against unreasonable search and seizure does not apply to "prisoners in their individual cells...."

The Court rules 7 to 0 that the all-male Jaycees organization can be required to accept women as members; Minnesota is attempting to enforce a public accommodations law against the Jaycees, charging discrimination.

July 5—In a 6-3 decision, the Court overturns a lower court and rules that the exclusionary rule, which bars the use of evidence obtained with a defective search warrant for criminal prosecutions, does not apply when police act with "objectively reasonable reliance" on the search warrant they are using although it may later be proved to be defective.

In a 6-2 decision, the Court overturns a lower court ruling and upholds a federal law that makes college men who do not register for the draft ineligible for U.S. scholarship aid; the law was passed as an amendment to a military programs bill.

The Court ends its term.

VENEZUELA

July 30—6 of 87 people being held hostage on a hijacked Venezuelan jet are released at Curaçao's Hato International Airport; the hijackers are requesting \$5 million and a helicopter.

July 31—Venezuelan commandos kill the 2 hijackers and free the remaining passengers.

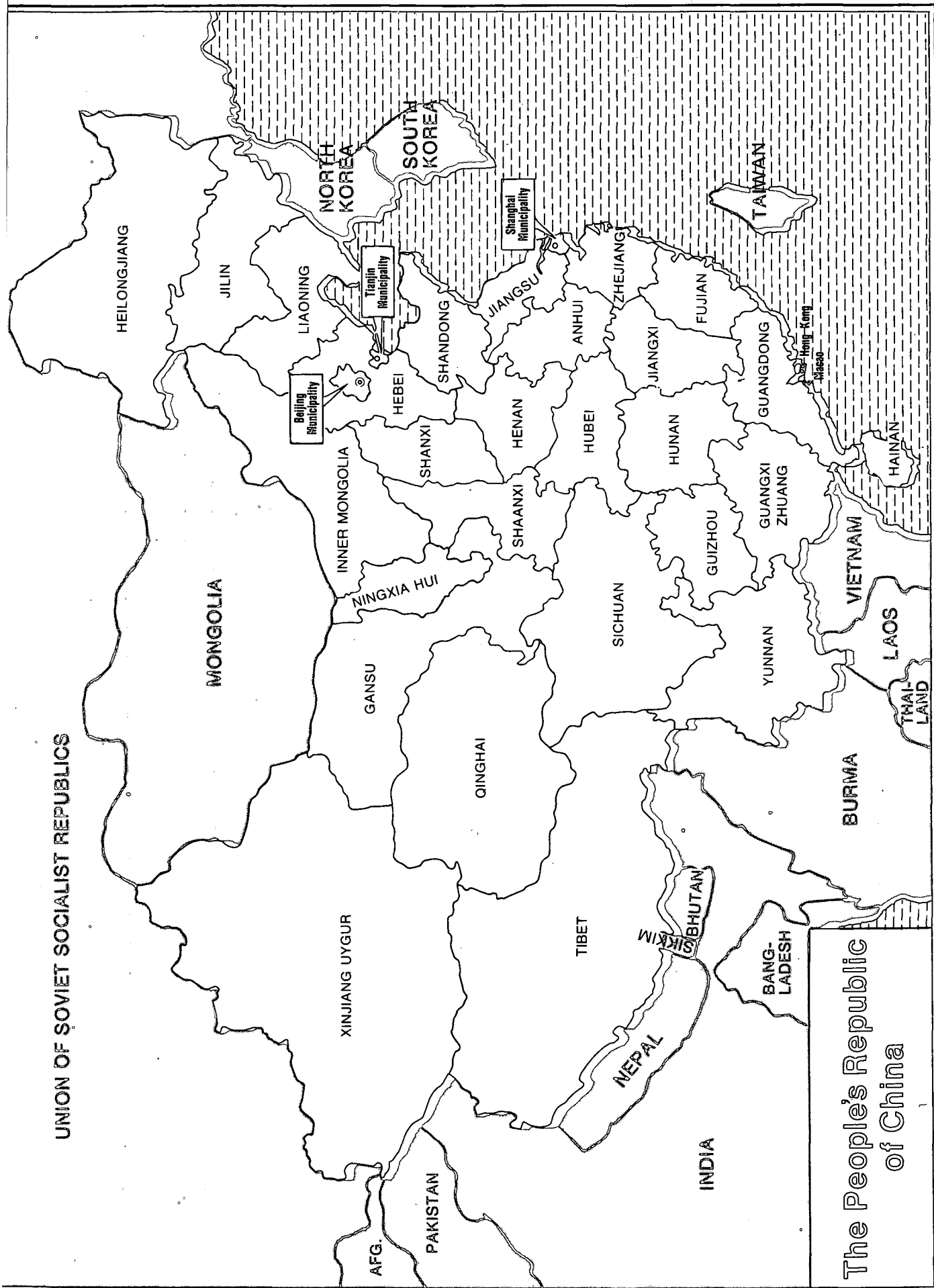
VIETNAM

(See also *China*)

July 14—The official Vietnam News Agency reports that Vietnamese troops have attacked Chinese troops in a northern Vietnamese province and that troops are preparing to attack other Chinese positions in northern Vietnam.

July 17—Wooden crates holding the bones of 8 U.S. soldiers killed during the Vietnam War are returned to U.S. Air Force specialists at Hanoi's Noi Bai Airport. ■

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